HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form DEFM14A
January 20, 2017
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

Harman International Industries, Incorporated

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Table of Contents

Harman International Industries, Incorporated

400 Atlantic Street

Stamford, Connecticut 06901

January 20, 2017

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Harman International Industries, Incorporated, a Delaware corporation (the Company, we, our or us), which we will hold on February 17, 2017, at 9 a.m. Eastern Standard Time, at the Sheraton Hotel, 700 E. Main St., Stamford, Connecticut 06901.

At the special meeting, holders of our common stock, par value $0.01 per share (common stock), will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger (as it may be amended from time to time, the merger agreement), dated as of November 14, 2016, by and among the Company, Samsung Electronics Co., Ltd., a Korean corporation (Samsung), Samsung Electronics America, Inc., a New York corporation and wholly owned subsidiary of Samsung (Samsung USA), and Silk Delaware, Inc., a Delaware corporation and wholly owned subsidiary of Samsung USA (Merger Sub).

Pursuant to the merger agreement and subject to the terms and conditions set forth therein, Merger Sub will be merged with and into the Company (the merger), and each share of our common stock outstanding at the effective time of the merger (other than shares owned by the Company, any wholly owned subsidiary of the Company, Samsung, Samsung USA or Merger Sub, or by stockholders who have properly exercised and perfected appraisal rights under Delaware law) will be cancelled and converted into the right to receive $112.00 in cash, without interest and less any applicable withholding taxes.

The board of directors of the Company (the board) unanimously approved the merger agreement and determined that the merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of the Company and its stockholders. The board unanimously recommends that the stockholders of the Company vote FOR the proposal to adopt the merger agreement. In addition, the board unanimously recommends that the stockholders of the Company vote FOR the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and FOR the proposal to adjourn the special meeting if necessary or appropriate, including to solicit additional proxies.

The enclosed proxy statement describes the merger agreement and the merger and provides specific information concerning the special meeting. In addition, you may obtain information about us from documents filed with the Securities and Exchange Commission (the SEC). We urge you to, and you should, read the entire proxy statement carefully, as it sets forth the details of the merger agreement and other important information related to the merger.

Your vote is very important. The merger cannot be completed unless holders of a majority of the outstanding shares of our common stock vote in favor of the adoption of the merger agreement. If you fail to vote on the adoption of the merger agreement, the effect will be the same as a vote against the adoption of the merger

agreement.

While our stockholders may exercise their right to vote their shares in person, we recognize that many stockholders may not be able to attend the special meeting. Accordingly, we have enclosed a proxy that will enable your shares of common stock to be voted on the matters to be considered at the special meeting even if you are unable or do not wish to attend. If you desire your shares of common stock to be voted in accordance

Table of Contents

with the board s recommendation on all proposals, you need only sign, date and return the proxy in the enclosed postage-paid envelope. Otherwise, please mark the proxy to indicate your voting instructions, sign and date the proxy, and return it in the enclosed postage-paid envelope. You also may submit a proxy by using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services. Submitting a proxy will not prevent you from voting your shares of common stock in person if you subsequently choose to attend the special meeting.

If you hold your shares of common stock in street name through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares of common stock. Without those instructions, your shares of common stock will not be voted, which will have the same effect as voting against the proposal to adopt the merger agreement.

If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, MacKenzie Partners Inc., by calling (800) 322-2885 toll-free or (212) 929-5500 collect, or by email at proxy@mackenziepartners.com.

Thank you for your continued support.

Sincerely,

Dinesh C. Paliwal

Chairman, Chief Executive Officer and President

Neither the SEC nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated January 20, 2017 and is first being mailed to stockholders on or about such date.

Table of Contents

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED

400 Atlantic Street

Stamford, Connecticut 06901

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Our Stockholders:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Harman International Industries, Incorporated, a Delaware corporation (the Company, we, our or us), will be held on February 17, 2017, at 9:00 a.m Eastern Standard Time, at the Sheraton Hotel, 700 E. Main St., Stamford, Connecticut 06901, to consider and vote upon the following proposals:

1. to adopt the Agreement and Plan of Merger (as it may be amended from time to time, the merger agreement), dated as of November 14, 2016, by and among the Company, Samsung Electronics Co., Ltd., a Korean corporation (Samsung), Samsung Electronics America, Inc., a New York corporation and wholly owned subsidiary of Samsung (Samsung USA), and Silk Delaware, Inc., a Delaware corporation and wholly owned subsidiary of Samsung USA (Merger Sub);

2. to approve, on an advisory (non-binding) basis, specified compensation that may become payable to the Company s principal executive officer, principal financial officer and three most highly compensated executive officers other than the principal executive officer and principal financial officer (collectively, the named executive officers) in connection with the merger;

3. to approve the adjournment of the special meeting if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement (the adjournment proposal); and

4. to act upon other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the board of directors of the Company (the board).

The holders of record of our common stock, par value $0.01 per share (common stock), as of the close of business on January 10, 2017, are entitled to notice of and to vote at the special meeting or at any adjournment thereof. All stockholders are cordially invited to attend the special meeting in person.

The board unanimously approved the merger agreement and determined that the merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of the Company and its stockholders. The board unanimously recommends that the stockholders of the Company vote FOR the proposal to adopt the merger agreement. In addition, the board unanimously recommends that the stockholders of the Company vote FOR the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and FOR the adjournment proposal.

Your vote is important, regardless of the number of shares of common stock you own. The adoption of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of our common stock is a condition to the consummation of the merger. The advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and the adjournment proposal each require the affirmative vote of holders of a majority of the shares of our common stock present at the meeting and entitled to vote thereon, but approval of these two proposals is not a condition to the consummation of the merger.

Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thus ensure that your shares of common stock will be represented at the special meeting if you are unable to attend.

You also may submit your proxy by using a toll-free telephone number or the Internet. We have provided instructions on the enclosed proxy card for using these convenient services. See the section of the accompanying proxy statement entitled *The Special Meeting Voting; Proxies; Revocation* for additional information.

Table of Contents

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the merger agreement, the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and the adjournment proposal. If you fail to vote or submit your proxy, the effect will be that your shares of common stock may not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement, but will not affect the vote regarding the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger or the adjournment proposal.

Under Delaware law, stockholders who do not vote in favor of the proposal to adopt the merger agreement have the right to seek appraisal of the fair value of their shares of common stock as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for such an appraisal before the vote on the proposal to adopt the merger agreement and comply with the other Delaware law procedures described in the accompanying proxy statement.

Your proxy may be revoked at any time before the vote is taken at the special meeting by following the procedures outlined in the accompanying proxy statement. You may revoke your proxy by attending the meeting and voting in person in accordance with the procedures described in the accompanying proxy statement.

By Order of the Board of Directors,

Marisa Iasenza

Corporate Secretary and Assistant General Counsel

January 20, 2017

Table of Contents

TABLE OF CONTENTS

	Page
SUMMARY	1
QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER	11
CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS	18
THE COMPANIES	19
Harman International Industries, Incorporated	19
Samsung Electronics Co., Ltd.	20
Samsung Electronics America, Inc.	21
Silk Delaware, Inc.	21
THE SPECIAL MEETING	22
Date, Time and Place of the Special Meeting	22
Purposes of the Special Meeting	22
Recommendation of the Company s Board of Directors	22
Record Date and Quorum	22
Required Vote	23
Voting by the Company s Directors and Executive Officers	23
Voting; Proxies; Revocation	23
Abstentions	25
Adjournments and Postponements	25
Solicitation of Proxies	25
Other Information	26
THE MERGER (PROPOSAL 1)	27
Certain Effects of the Merger	27
Background of the Merger	27
Reasons for the Merger	36
Recommendation of the Company s Board of Directors	40
Opinions of the Financial Advisors to the Company	41
Certain Additional Financial Analyses of the Financial Advisors	50
Projected Financial Information	51
Funding of the Merger Consideration	53
Interests of the Company s Directors and Executive Officers in the Merger	54
Quantification of Payments and Benefits to the Company s Named Executive Officers	60
Material U.S. Federal Income Tax Consequences of the Merger	62
Regulatory Approvals	63

Litigation Related to the Merger 65
THE MERGER AGREEMENT 66
Explanatory Note Regarding the Merger Agreement 66
Structure of the Merger; Certificate of Incorporation, Bylaws and Directors and Officers of the Surviving Corporation 66
When the Merger Becomes Effective; Closing and Effective Time 66
Effect of the Merger on the Company_s Common Stock 67

Table of Contents

	Page
Withholding Rights	67
Treatment of Company Equity Awards	67
Payment for Common Stock and Company Equity Awards in the Merger	68
Representations and Warranties	68
Conduct of Business Pending the Merger	72
Other Covenants and Agreements	75
Conditions to the Merger	83
Termination	85
Company Termination Fee	86
Expenses	86
Specific Performance; Remedies	87
Amendment; Waiver	87
Governing Law and Jurisdiction	87
ADVISORY VOTE ON NAMED EXECUTIVE OFFICER MERGER-RELATED COMPENSATION (PROPOSAL 2)	88
VOTE ON ADJOURNMENT (PROPOSAL 3)	89
MARKET PRICE OF HARMAN COMMON STOCK	90
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	91
APPRAISAL RIGHTS	93
MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS	97
SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS	97
WHERE YOU CAN FIND ADDITIONAL INFORMATION	98
ANNEX A AGREEMENT AND PLAN OF MERGER	A-1
ANNEX B OPINION OF J.P. MORGAN SECURITIES LLC	B-1
ANNEX C OPINION OF LAZARD FRÈRES & CO. LLC	C-1
ANNEX D SECTION 262 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE	D-1

Table of Contents

SUMMARY

This Summary discusses certain material information contained in this proxy statement, including with respect to the merger agreement and the merger. We encourage you to, and you should, read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as this Summary may not contain all of the information that may be important to you. We have included page references to direct you to more complete descriptions of the topics presented in this Summary.

The Companies (page 19)

Harman International Industries, Incorporated

Harman International Industries, Incorporated, referred to as Harman, the Company, we, our or us, is a Delaware corporation. We believe we are a leader in the design and engineering of connected products and solutions for automakers, consumers and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions and connected services. We have developed, both internally and through a series of strategic acquisitions, a broad range of product offerings sold under renowned brand names in our principal markets. Our AKG®, AMX®, Crown®, Harman/Kardon®, Infinity®, JBL®, JBL Professional, Lexicon®, Mark Levinson®, Martin®, Revel®, Soundcraft® and Studer® brand names are well known worldwide for premium quality and performance. Our software solutions power mobile devices and systems that are designed to be connected, integrated, personalized and adaptive across all platforms, from work and home, to car and mobile.

Additional information about us is contained in our public filings with the SEC, which are incorporated by reference herein. See *Where You Can Find Additional Information* on page 98.

Samsung Electronics Co., Ltd.

Samsung Electronics Co., Ltd., referred to as Samsung, is a corporation incorporated under the laws of the Republic of Korea. Samsung is a global leader in the electronics and information technology industries. Samsung designs, manufactures and sells a wide range of consumer electronics products, mobile communications devices and information technology products to retail and commercial customers, as well as semiconductor products, display panels and telecommunications systems to industrial customers around the world. With its global network and industry-leading brands, Samsung recorded consolidated revenue of KRW 201 trillion (approximately $171 billion) in 2015.

Samsung Electronics America, Inc.

Samsung Electronics America, Inc., referred to as Samsung USA, is a New York corporation and a wholly owned subsidiary of Samsung that serves as Samsung s regional headquarters for North America. Samsung USA primarily markets and sells a broad range of products offered by Samsung, including televisions, mobile phones, home appliances, network systems and other IT devices, to both retail and commercial customers located in the United States. Samsung USA also oversees Samsung s other North American operations, such as the development, manufacture, distribution and sale of semiconductor and telecommunications products, conducted through various subsidiaries of Samsung in North America.

Silk Delaware, Inc.

Silk Delaware, Inc., referred to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of Samsung USA that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement.

Table of Contents

The Merger Proposal (page 27)

You are being asked to consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of November 14, 2016, by and among the Company, Samsung, Samsung USA and Merger Sub, which, as it may be amended from time to time, is referred to as the merger agreement. The merger agreement provides, among other things, that at the effective time of the merger (the effective time and the date on which the closing of the merger occurs, the closing date), Merger Sub will be merged with and into the Company, and each outstanding share of common stock, par value $0.01 per share, of the Company (the common stock), other than shares owned by the Company, any wholly owned subsidiary of the Company, Samsung, Samsung USA or Merger Sub, or by stockholders who have properly exercised and perfected appraisal rights under Delaware law, will be converted into the right to receive $112.00 in cash, without interest and less any applicable withholding taxes.

The Company will thereby become a direct, wholly owned subsidiary of Samsung USA and an indirect, wholly owned subsidiary of Samsung.

The Special Meeting (page 22)

The special meeting will be held on February 17, 2017, at 9:00 a.m. Eastern Standard Time, at the Sheraton Hotel, 700 E. Main St., Stamford, Connecticut 06901.

Record Date and Quorum (page 22)

The holders of record of our common stock as of the close of business on January 10, 2017, the record date, are entitled to receive notice of and to vote at the special meeting.

The presence at the special meeting, in person or by proxy, of the holders of record of a majority of the shares of our common stock outstanding as of the close of business on the record date will constitute a quorum, permitting the Company to conduct its business at the special meeting.

Required Vote (page 23)

Each share of our common stock outstanding as of the close of business on the record date is entitled to one vote at the special meeting on each matter properly brought before the special meeting.

For the Company to complete the merger, stockholders holding a majority of the shares of our common stock outstanding as of the close of business on the record date must vote **FOR** the proposal to adopt the merger agreement. **A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote against the proposal to adopt the merger agreement.**

Approval of each of the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the merger and the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy at the special meeting and entitled to vote thereon. An abstention will have the same effect as a vote against these proposals, but the failure to vote your shares will have no effect on the outcome of these two proposals.

As of the close of business on the record date, there were 69,883,605 shares of common stock outstanding.

Conditions to the Merger (page 83)

Each party s obligation to complete the merger is subject to the fulfillment (or waiver by the party or parties entitled to the benefit of the relevant condition, to the extent permitted by applicable law) of the following conditions:

the adoption of the merger agreement by the required vote of the stockholders of the Company,

the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) (which occurred on December 19, 2016), and the expiration of any applicable waiting periods and receipt of any required authorizations or approvals

Table of Contents

under the antitrust or competition laws of Brazil, Canada (with respect to the Investment Canada Act only), China, Colombia, the European Union, Japan, the Republic of Korea, Russia, South Africa and Taiwan, without any Burdensome Condition (as defined in *Regulatory Approvals* below) having been imposed in connection therewith,

the review or investigation of the proposed transaction by the Committee on Foreign Investment in the United States (CFIUS) having concluded without the President of the United States having taken action to block or prevent the proposed transaction, and without any Burdensome Condition having been imposed in connection therewith and

the absence of any law or order enacted, issued, promulgated, enforced or entered after November 14, 2016 by a governmental authority of competent jurisdiction that makes illegal, enjoins or otherwise prohibits the consummation of the merger.

The obligations of Samsung, Samsung USA and Merger Sub to complete the merger are also subject to the fulfillment (or waiver by Samsung, Samsung USA and Merger Sub, to the extent permitted by applicable law) of the following additional conditions:

the accuracy of the representations and warranties of the Company (subject to specified materiality, material adverse effect and other qualifications),

the Company s performance of and compliance with its obligations and covenants under the merger agreement in all material respects and

the delivery of an officer s certificate by the Company confirming that the conditions described in the two preceding bullet points have been satisfied.

The obligation of the Company to complete the merger is also subject to the satisfaction (or waiver by the Company, to the extent permitted by applicable law) of the following additional conditions:

the accuracy of the representations and warranties of Samsung, Samsung USA and Merger Sub (subject to specified materiality, material adverse effect and other qualifications),

Samsung s, Samsung USA s and Merger Sub s performance of and compliance with their respective obligations and covenants under the merger agreement in all material respects and

the delivery of an officer s certificate by Samsung confirming that the conditions described in the two preceding bullet points have been satisfied.

When the Merger Becomes Effective (page 66)

We anticipate completing the merger in mid-2017, subject to the adoption of the merger agreement by our stockholders and the satisfaction of the other closing conditions, as further described herein.

Reasons for the Merger; Recommendation of the Company s Board of Directors in Favor of the Merger (page 36)

The board unanimously recommends that the stockholders of the Company vote **FOR** the proposal to adopt the merger agreement. For a description of the reasons considered by the board in deciding to recommend adoption of the merger agreement, see *The Merger (Proposal 1) Reasons for the Merger.*

Opinions of the Financial Advisors to the Company (page 41)

Each of J.P. Morgan Securities LLC (J.P. Morgan) and Lazard Frères & Co. LLC (Lazard) delivered its opinion to the board that, as of November 14, 2016, and based upon and subject to the assumptions, procedures, matters and limitations set forth therein, the $112.00 in cash per share of common stock to be paid to the holders (other than the Company, Samsung, their respective wholly owned subsidiaries and holders who properly exercise and perfect appraisal rights under Delaware law) of shares of common stock in the merger was fair, from a financial point of view, to such holders.

Table of Contents

The full text of the written opinions of each of J.P. Morgan and Lazard, each dated November 14, 2016, and each of which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering the applicable opinion, are attached as Annex B and C, respectively, to this proxy statement. Each of J.P. Morgan and Lazard provided its opinion for the information and assistance of the board in connection with its consideration of the merger. The opinions of J.P. Morgan and Lazard are not recommendations as to how any holder of our common stock should vote with respect to the proposal to adopt the merger agreement or any other matter.

Certain Effects of the Merger (page 27)

If the conditions to the closing of the merger are either satisfied or, to the extent permitted, waived, Merger Sub will be merged with and into the Company, the separate corporate existence of Merger Sub will cease, and the Company will continue its corporate existence under Delaware law as the surviving corporation in the merger, with all of its property, rights, privileges, immunities, licenses, powers, franchises, debts, liabilities and duties continuing unaffected by the merger. At the effective time, each share of common stock of the Company, other than shares owned by the Company (or any wholly owned subsidiary of the Company), Samsung, Samsung USA or Merger Sub, or by a stockholder who has properly exercised and perfected appraisal rights under Delaware law, will be converted into the right to receive $112.00 in cash, without interest and less any applicable withholding taxes. Following completion of the merger, the Company s common stock will no longer be publicly traded, and the Company s stockholders prior to the merger will cease to have any ownership interest in the Company.

Treatment of Company Equity Awards (page 67)

Options and Stock Appreciation Rights. At the effective time, each option to purchase a share of the Company s common stock and each stock appreciation right in respect of the Company s common stock that, in each case, is outstanding and unexercised as of the effective time (whether vested or unvested) will become fully vested (to the extent not vested) and be converted into the right to receive an amount in cash equal to the merger consideration of $112.00 with respect to each share of Company common stock underlying such award, net of the exercise price per share of such option or stock appreciation right, as applicable, and less any applicable tax withholding. Any option or stock appreciation right that has an exercise price that equals or exceeds the merger consideration will be cancelled without consideration.

Restricted Stock Units. At the effective time, each outstanding award of restricted stock units in respect of the Company s common stock (1) that vests solely based on the passage of time will become fully earned and vested with respect to the maximum number of shares of common stock underlying such restricted stock unit award and (2) that vests in whole or in part based on performance conditions and for which the applicable performance period is not complete as of immediately prior to the effective time will vest to the extent provided for in the award agreement applicable to such restricted stock unit award (with any portion of such performance-based restricted stock unit that remains unvested at the effective time being cancelled without consideration). Each such restricted stock unit award so vested will be converted into the right to receive an amount in cash equal to the merger consideration of $112.00 with respect to each share of common stock underlying such restricted stock unit award, plus any accrued but unpaid dividend equivalents relating to such restricted stock unit award and less any applicable tax withholding.

Interests of the Company s Directors and Executive Officers in the Merger (page 54)

In considering the recommendation of the board in favor of the adoption of the merger agreement by the Company s stockholders, you should be aware that the Company s directors and executive officers have interests in the merger that are different from, or in addition to, the interests of the Company s stockholders generally. Interests of directors and executive officers that may be different from or in addition to the interests of the Company s stockholders generally

include:

the merger agreement provides for the acceleration of the vesting and settlement of Company stock options, stock appreciation rights, and restricted stock units (in the case of performance-based restricted stock units, to the extent provided for in the applicable award agreement),

Table of Contents

the Company s executive officers are parties to severance agreements with the Company that provide for enhanced severance benefits in the event of certain qualifying terminations of employment in connection with or following the merger,

certain of the Company s executive officers have entered into new agreements with Merger Sub governing the terms of their continued employment following the merger,

the Company s President and Chief Executive Officer is a participant in a nonqualified retirement plan of the Company that provides for enhanced benefits in connection with a qualifying termination,

the Company s executive officers are eligible for a prorated annual bonus under the Company s 2014 Key Executive Officers Bonus Plan upon consummation of the merger and

the Company s directors and executive officers are entitled to continued indemnification and insurance coverage under indemnification agreements and the merger agreement.

These interests are discussed in more detail in the section entitled *The Merger (Proposal 1) Interests of the Company s Directors and Executive Officers in the Merger*. The board was aware of the different or additional interests described herein and considered these interests along with other matters in approving and recommending adoption of the merger agreement by our stockholders.

Material U.S. Federal Income Tax Consequences of the Merger (page 62)

If you are a U.S. holder (as defined in *The Merger (Proposal 1) Material U.S. Federal Income Tax Consequences of the Merger*), the receipt of cash in exchange for shares of common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisor regarding the particular tax consequences to you of the exchange of shares of common stock for cash pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

Regulatory Approvals (page 63)

Under the HSR Act and related rules, certain transactions, including the merger, may not be completed until required information and materials are furnished to the Antitrust Division of the U.S. Department of Justice (Antitrust Division) and the Federal Trade Commission (the FTC) and statutory waiting period requirements have been satisfied. On November 29, 2016, both the Company and Samsung filed their respective Notification and Report Forms with the Antitrust Division and the FTC. The waiting period under the HSR Act was terminated early on December 19, 2016.

The merger agreement also provides for the parties to file a joint voluntary notice under Section 721 of the Defense Production Act of 1950, as amended by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988 and subsequent amendments (the DPA). The DPA, as amended and as implemented by regulations 31 CFR Part 800, *et seq*., provides for national security reviews and, where appropriate, investigations by CFIUS of transactions in which a foreign person or entity acquires control of a U.S. business. The Company and Samsung filed a draft joint voluntary notice with CFIUS on December 5, 2016 and filed a final joint voluntary notice on January 3, 2017. Pursuant to the merger agreement, completion of the merger is subject to the condition that the review or investigation of the

proposed transaction by CFIUS has concluded without the President of the United States having taken action to block or prevent the proposed transaction, and without any Burdensome Condition having been imposed in connection therewith.

A Burdensome Condition is defined as any limitations imposed by governmental authorities pursuant to the regulatory approval processes contemplated by the merger agreement on the right of Samsung following the closing of the merger to own or operate all or any portion of the businesses, product lines or assets, as of

Table of Contents

November 14, 2016, of (1) Samsung or its subsidiaries (excluding the Company and its subsidiaries) or (2) the Company or its subsidiaries, if any such limitations, had they been imposed on the Company and its subsidiaries from and after October 1, 2015 through September 30, 2016, would reasonably be expected to have caused the loss of consolidated revenues of the Company and its subsidiaries during the 12-month period ended September 30, 2016 in an aggregate amount in excess of $450 million.

Additionally, the merger agreement requires the parties to obtain all necessary approvals under the antitrust or competition laws of Brazil, Canada (with respect to the Investment Canada Act only), China, Colombia, the European Union, Japan, the Republic of Korea, Russia, South Africa and Taiwan. The relevant applications (in draft form, where applicable) have been filed in each of the foregoing jurisdictions. The relevant approval of the merger (without any restrictions imposed) by the Brazilian competition authority was received on December 22, 2016.

Pursuant to the merger agreement, completion of the merger is subject to the relevant approvals having been obtained or waiting periods having expired (following the making of required filings) under the HSR Act (which occurred on December 19, 2016) and the antitrust and competition laws of the jurisdictions noted in the immediately preceding paragraph, without any Burdensome Condition having been imposed in connection therewith. Although the Company and Samsung believe that they will be able to obtain the requisite regulatory clearances in a timely manner, they cannot be certain of when or if they will do so.

Appraisal Rights (page 93)

Under the General Corporation Law of the State of Delaware (the DGCL), Company stockholders who do not vote for the adoption of the merger agreement have the right to seek appraisal of the fair value of their shares in cash as determined by the Delaware Court of Chancery, but only if they fully comply with all of the applicable requirements of the DGCL, which are summarized in this proxy statement. Any appraisal amount determined by the court could be more than, the same as, or less than the value of the merger consideration of $112.00 per share. Any stockholder intending to exercise appraisal rights must, among other things, submit a written demand for appraisal to the Company before the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of appraisal rights. Because of the complexity of the DGCL relating to appraisal rights, if you are considering exercising your appraisal rights, we encourage you to seek the advice of your own legal counsel. The discussion of appraisal rights contained in this proxy statement is not a full summary of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL, which is attached to this proxy statement as Annex D.

Litigation Related to the Merger (Page 65)

The members of our board of directors are named as defendants in three putative class action lawsuits challenging the merger. The first suit was filed on December 22, 2016 and is captioned *Nampally* v. *Paliwal*, C.A. No. 13001-CB, and the second suit was filed on January 3, 2017 and is captioned *Fine* v. *Paliwal*, C.A. No. 2017-0001-AGB. These two suits were filed in the Delaware Court of Chancery and were consolidated by the Court on January 12, 2017 under the caption *In re Harman International Industries, Incorporated Stockholders Litigation*, Consol. C.A. No. 13001-CB. The third suit was filed in the United States District Court for the District of Delaware on January 13, 2017 and is captioned *Cianti* v. *Harman International Industries, Incorporated,* 1:17-cv-00046-UNA. The third suit names the Company (in addition to the members of our board of directors) as defendant. The complaints allege, among other things, that our board of directors breached its fiduciary duties by agreeing to sell the Company through an unfair process and by failing to maximize the value of the Company s common stock. The complaints also allege that the Company s preliminary proxy statement filed with the SEC on December 12, 2016 was materially misleading and

incomplete. The plaintiffs seek as relief, among other things, an injunction against the merger and rescission of the merger to the extent it has already been implemented. The plaintiff in the *Nampally*

Table of Contents

action moved for expedited proceedings and discovery and for a preliminary injunction on December 29, 2016. To eliminate the expense and uncertainties resulting from such motion practice and without admitting any wrongdoing or that any supplemental disclosures are material or required to be made, the Company has agreed to include additional disclosures in this proxy statement. By stipulation dated January 17, 2017, the plaintiff has withdrawn his motions in light of these supplemental disclosures. The defendants believe that the three actions are each without merit.

No Solicitation (page 75)

While the merger is pending, subject to certain exceptions, the Company, its subsidiaries and their respective representatives are not permitted to:

- solicit, initiate or knowingly encourage the making, submission or announcement by any person of any proposal, offer or inquiry that constitutes, or would reasonably be expected to lead to, an acquisition proposal (as defined in *The Merger Agreement Other Covenants and Agreements No Solicitation*),
- enter into, continue or participate in any discussions or negotiations with any person regarding any acquisition proposal,
- knowingly facilitate or knowingly encourage the making of any acquisition proposal by furnishing any information relating to the Company or any of its subsidiaries, or affording access to the business, properties, assets, books or records of the Company or any of its subsidiaries, in each case, to any person (other than Samsung or its designees),
- approve, endorse or recommend any acquisition proposal or any acquisition agreement, letter of intent or similar definitive agreement relating to an acquisition proposal, or any other agreement requiring the Company to abandon or terminate its obligations under the merger agreement or
- resolve, propose or agree to do any of the foregoing.

Additionally, while the merger is pending, subject to certain exceptions, neither the board nor any board committee is permitted to:

- fail to include the board s recommendation to stockholders in favor of adoption of the merger agreement in this proxy statement when disseminated to the Company s stockholders (and at all times thereafter prior to receipt of the required stockholder approval),
- withhold, withdraw, amend, qualify or modify or publicly propose to withhold, withdraw, amend, qualify or modify, in each case, in a manner adverse to Samsung, Samsung USA or Merger Sub, the board s recommendation to stockholders in favor of adoption of the merger agreement,

adopt, authorize, approve or recommend the adoption or approval of any acquisition proposal or any acquisition agreement, letter of intent or similar definitive agreement with respect to an acquisition proposal (other than the merger agreement),

if a tender offer or exchange offer for the Company s common stock that constitutes an acquisition proposal is commenced, fail to recommend against acceptance of such offer by the Company s stockholders within 10 business days after such commencement or

resolve, agree or publicly propose to take any of the foregoing actions.

Notwithstanding the provisions of the merger agreement described above, if, prior to obtaining the required vote of the Company s stockholders to adopt the merger agreement, the Company receives a *bona fide* unsolicited written acquisition proposal that did not result from a material breach of the obligations described above, and that the board determines in good faith, after consultation with its outside legal advisor and its financial advisors,

Table of Contents

constitutes or would reasonably be expected to constitute, result in or lead to a superior proposal (as defined in *The Merger Agreement Other Covenants and Agreements No Solicitation*), then the Company may, upon a good faith determination by the board (after consultation with its outside legal advisor) that failure to do so would be inconsistent with its fiduciary duties under applicable law, and in accordance with certain procedural requirements:

- furnish non-public information with respect to the Company and its subsidiaries to the person making the acquisition proposal and
- contact and engage in discussions or negotiations with the person making such acquisition proposal or such person s representatives.

If the Company receives an acquisition proposal, the Company is required to:

- promptly (and in any event within 24 hours (or, if later, one business day, subject to certain exceptions)) notify Samsung of the receipt of the acquisition proposal, including the identity of the person making the acquisition proposal and the material terms and conditions of the acquisition proposal (including unredacted copies of any written acquisition proposal and any material amendments thereto),
- keep Samsung reasonably informed as promptly as practicable of any material developments affecting the terms and conditions of any such acquisition proposal and
- promptly (and in any event within 24 hours after any such determination) advise Samsung in writing if the board has determined to begin providing information or engaging in discussions or negotiations concerning an acquisition proposal.

In addition and notwithstanding anything to the contrary elsewhere in the merger agreement, if, prior to obtaining the required vote of the Company s stockholders to adopt the merger agreement, the Company receives a *bona fide* written acquisition proposal that did not result from a material breach of the obligations described above and that the board determines in good faith, after consultation with its outside legal advisor and financial advisors, constitutes a superior proposal (taking into account any adjustment to the terms and conditions of the merger proposed by Samsung in response to such superior proposal), the board may, subject to compliance with the obligations set forth in the merger agreement, including providing Samsung with prior notice and allowing Samsung the right to negotiate with the Company to match the terms of any superior proposal, (1) make a change in Company board recommendation (as defined in *The Merger Agreement Other Covenants and Agreements No Solicitation*), subject to Samsung s right to terminate the merger agreement in response and collect the termination fee of $240 million, or (2) terminate the merger agreement to enter into a transaction agreement with respect to such superior proposal, subject to concurrent payment of the termination fee of $240 million.

Moreover and notwithstanding anything to the contrary elsewhere in the merger agreement, prior to obtaining the required vote of the Company s stockholders to adopt the merger agreement, the board may withhold, withdraw, amend, qualify or modify its recommendation to stockholders in favor of the adoption of the merger agreement (and may fail to include its recommendation to stockholders in favor of adoption of the merger agreement in this proxy statement), in each case, in connection with an intervening event (as defined in *The Merger Agreement Other*

Covenants and Agreements No Solicitation), if the board determines in good faith (after consultation with its outside legal advisor) that the failure to do so would be inconsistent with its fiduciary duties under applicable law (taking into account any adjustments to the terms and conditions of the merger proposed by Samsung in response to such intervening event), subject to compliance with the obligations set forth in the merger agreement, including allowing Samsung the right to negotiate with the Company to make adjustments to the terms and conditions of the merger agreement and Samsung s right to terminate the merger agreement in response to a change in Company board recommendation and collect the termination fee of $240 million.

Table of Contents

Termination (page 85)

The Company and Samsung may terminate the merger agreement by mutual written consent at any time before the effective time. In addition, either the Company or Samsung may terminate the merger agreement if:

- the closing of the merger has not occurred on or before August 14, 2017 (as it may be extended, the outside date), subject to an automatic 90-day extension if, on August 14, 2017, all of the closing conditions to the merger other than those related to the required regulatory approvals have been satisfied or waived (excluding those conditions that by their terms are to be satisfied at the closing, so long as those conditions are then capable of being satisfied if the closing were to take place on such date),

- a court or other governmental authority in a competent jurisdiction has issued a final, non-appealable injunction or similar order permanently restraining, enjoining or otherwise prohibiting the consummation of the merger or

- the required vote of the Company s stockholders to adopt the merger agreement has not been obtained at a Company stockholder meeting (or any adjournment or postponement thereof) duly convened for that purpose and at which such vote was taken.

The Company may also terminate the merger agreement:

- to enter into a definitive agreement providing for a superior proposal, but only prior to obtaining the required vote of the Company s stockholders to adopt the merger agreement, and only so long as the Company (1) has not materially breached certain of its non-solicitation and notice obligations (including the granting of specified matching rights to Samsung) under the merger agreement and (2) pays the termination fee of $240 million to Samsung prior to or concurrently with such termination or

- if Samsung, Samsung USA or Merger Sub has breached or failed to perform (as applicable) any of its representations, warranties, covenants or other obligations contained in the merger agreement, which breach or failure to perform would result in the failure to satisfy a closing condition, subject to a cure period, as further described in *The Merger Agreement Termination*.

Samsung may also terminate the merger agreement:

- if a change in Company board recommendation (as defined in *The Merger Agreement Other Covenants and Agreements No Solicitation*) occurs, but only if Samsung terminates within a specified time limit or

- if the Company has breached or failed to perform (as applicable) any of its representations, warranties, covenants or other obligations contained in the merger agreement, which breach or failure to perform would result in the failure to satisfy a closing condition, subject to a cure period, as further described in *The Merger*

Agreement Termination.

Certain of these termination rights are subject to additional conditions or qualifications, which are described in greater detail in *The Merger Agreement Termination*.

Company Termination Fee (page 86)

The Company must pay Samsung a termination fee of $240 million in cash if the merger agreement is terminated:

by Samsung because of a change in Company board recommendation (but only if Samsung terminates within a specified time limit),

Table of Contents

by the Company in order to enter into a definitive acquisition agreement or similar agreement providing for a superior proposal by a third party or

under specified circumstances (as described in *The Merger Agreement Company Termination Fee*) and, within 12 months of such termination, the Company consummates or enters into a definitive agreement with respect to an acquisition proposal for more than 50% of the Company s stock or consolidated assets, or assets from which 50% or more of the consolidated revenues or earnings of the Company are derived, that is subsequently completed.

These triggers for the termination fee are subject to additional conditions or qualifications, which are described in greater detail in *The Merger Agreement Company Termination Fee*.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers briefly address some questions you may have regarding the special meeting, the merger agreement and the merger. These questions and answers may not address all of the questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement for additional information.

Q: Why am I receiving this proxy statement?

A: On November 14, 2016, the Company entered into the merger agreement which, subject to certain terms and conditions, provides for the merger of Merger Sub, an indirect, wholly owned subsidiary of Samsung, with and into the Company, with the Company surviving the merger as an indirect, wholly owned subsidiary of Samsung. You are receiving this proxy statement in connection with the solicitation of proxies by the board in favor of the proposal to adopt the merger agreement and the other matters to be voted on at the special meeting.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by Samsung through the merger of Merger Sub with and into the Company pursuant to the merger agreement. Following the effective time, the Company will be an indirect, wholly owned subsidiary of Samsung, and you will no longer own shares in the Company, only the right to receive the merger consideration.

Q: What will I receive in the merger?

A: If the merger is completed, you will be entitled to receive $112.00 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own. For example, if you own 100 shares of common stock, you will be entitled to receive $11,200 in cash in exchange for your shares of common stock, without interest and less any applicable withholding taxes. You will not be entitled to receive shares in the surviving corporation or in Samsung.

Q: How does the merger consideration compare to the market price of our common stock prior to the announcement of the Company s entry into the merger agreement?

A: The merger consideration of $112.00 per share in cash represents a premium of approximately 28% to the closing price of our common stock on November 11, 2016, the last trading day prior to our announcement of the Company s entry into the merger agreement, and a 37% premium to the Company s 30-calendar day volume weighted average stock price ending as of that date.

Q: What conditions must be satisfied to complete the merger?

A: In addition to the approval of the proposal to adopt the merger agreement by our stockholders, the merger is subject to the satisfaction of various other conditions. The Company, Samsung, Samsung USA and Merger Sub are not required to complete the merger unless these conditions are satisfied or waived (to the extent permitted by applicable law). These conditions include, among others: (1) the expiration or termination of the applicable waiting period under the HSR Act (which occurred on December 19, 2016) and receipt of certain approvals or authorizations under specified foreign antitrust or competition laws, without any Burdensome Condition having been imposed in connection therewith, (2) the review or investigation of the transaction by CFIUS having concluded without the President of the United States having taken action to block or prevent the transaction, and without any Burdensome Condition having been imposed in connection therewith, (3) the absence of any law or order enacted, issued, promulgated, enforced or entered

Table of Contents

after November 14, 2016 by a governmental authority of competent jurisdiction that makes illegal, enjoins or otherwise prohibits the consummation of the merger and (4) the accuracy of the representations and warranties contained in the merger agreement (subject to specified materiality qualifications) and compliance with the covenants and agreements in the merger agreement in all material respects by the parties to the merger agreement. The closing of the merger is not subject to a financing condition. For a more complete summary of the conditions that must be satisfied or waived prior to the completion of the merger, see *The Merger Agreement Conditions to the Merger.*

Q: When do you expect the merger to be completed?

A: The Company and Samsung are working towards completing the merger as soon as possible. Assuming the timely receipt of required regulatory approvals and satisfaction of other closing conditions, including approval by our stockholders of the proposal to adopt the merger agreement, we anticipate that the merger will be completed in mid-2017.

Q: Where and when is the special meeting?

A: The special meeting will take place on February 17, 2017, at 9:00 a.m. Eastern Standard Time, at the Sheraton Hotel, 700 E. Main St., Stamford, Connecticut 06901.

Q: Who may attend and vote at the special meeting?

A: All holders of our common stock as of the close of business on the record date for the special meeting, which is January 10, 2017, are entitled to receive notice of, attend the special meeting or any adjournment or postponement thereof and vote at the special meeting. Please note that if you hold shares in street name through a bank, brokerage firm or other nominee, you will need to provide a legal proxy from the bank, brokerage firm or other nominee that is the stockholder of record for your shares of common stock giving you the right to vote the shares at the meeting.

Q: How many votes do I have?

A: Each holder of our common stock is entitled to cast one vote on each matter properly brought before the special meeting for each share of our common stock that such holder owned as of the close of business on the record date of January 10, 2017.

Q: What matters will be voted on at the special meeting?

A: You will be asked to consider and vote on the following proposals:

to adopt the merger agreement,

to approve, on an advisory (non-binding) basis, specified compensation that may be payable to the named executive officers of the Company in connection with the merger,

to approve the adjournment of the special meeting if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to approve the merger agreement and

to act upon other business, if any, that may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the board.

Q: What vote of our stockholders is required to adopt the merger agreement?

A: Stockholders holding a majority of the shares of our common stock outstanding as of the close of business on the record date for the determination of stockholders entitled to vote at the special meeting must vote **FOR** the proposal to adopt the merger agreement. **A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote against the proposal to adopt the merger agreement.**

Table of Contents

As of the close of business on January 10, 2017, the record date for the special meeting, there were 69,883,605 shares of common stock outstanding.

Q: What vote of our stockholders is required to approve the other matters to be considered at the special meeting?

A: The advisory (non-binding) proposal to approve specified compensation that may be payable to the named executive officers of the Company in connection with the merger and the adjournment proposal each requires the affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote thereon.

Q: How many shares are needed to constitute a quorum?

A: A quorum will be present if holders of record of a majority of the shares of our common stock outstanding as of the close of business on the record date are present in person or represented by proxy at the special meeting. If a quorum is not present at the special meeting, the special meeting may be adjourned or postponed from time to time until a quorum is obtained.

If you submit a proxy but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares will be counted for the purpose of determining whether a quorum is present at the special meeting.

If your shares are held in street name by your broker, bank or other nominee and you do not instruct the nominee how to vote your shares, these shares will be counted for purposes of determining whether a quorum is present for the transaction of business at the special meeting.

Q: How does the board recommend that I vote?

A: The board unanimously recommends that our stockholders vote **FOR** the proposal to adopt the merger agreement. The board also unanimously recommends that our stockholders vote **FOR** the advisory (nonbinding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and **FOR** the adjournment proposal.

Q: What effects will the merger have on the Company?

A: Our common stock is currently registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and is quoted on the New York Stock Exchange (the NYSE) under the symbol HAR. As a result of the merger, the Company will cease to be a publicly traded company and will become an indirect, wholly owned

subsidiary of Samsung. Following the consummation of the merger, our common stock will be delisted from the NYSE and deregistered under the Exchange Act, and the Company will no longer be required to file periodic reports with the Securities and Exchange Commission (the SEC) with respect to our common stock, in each case in accordance with applicable law, rules and regulations.

Q: What happens if the merger is not consummated?

A: If the proposal to adopt the merger agreement is not approved by the Company s stockholders, or if the merger is not consummated for any other reason, the Company s stockholders will not receive any payment for their shares in connection with the merger. Instead, the Company will remain a public company, and shares of our common stock will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, the Company may be required to pay Samsung a termination fee of $240 million. See *The Merger Agreement Company Termination Fee.*

Table of Contents

Q: What will happen if stockholders do not approve the advisory proposal on executive compensation payable to the Company s named executive officers in connection with the merger?

A: The approval of this proposal is not a condition to the completion of the merger. The vote on this proposal is an advisory vote and will not be binding on the Company or Samsung. If the merger agreement is adopted by the Company s stockholders and the merger is completed, the merger-related compensation may be paid to the Company s named executive officers even if stockholders fail to approve this proposal.

Q: What do I need to do now? How do I vote my shares of common stock?

A: We urge you to read this proxy statement carefully, including its annexes and the documents incorporated by reference in this proxy statement, and to consider how the merger affects you. Your vote is important. If you are a stockholder of record, you can ensure that your shares are voted at the special meeting by submitting your proxy via:

mail, using the enclosed postage-paid envelope,

telephone, using the toll-free number listed on each proxy card or

the Internet, at the address provided on each proxy card.

If you vote by proxy (regardless of whether you vote over the Internet, by telephone or by mail), your votes must be received by 11:59 p.m. Eastern Standard Time on February 16, 2017, the day before the special meeting, to be counted.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of each of the proposal to adopt the merger agreement, the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and the adjournment proposal.

If you hold your shares in street name through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the proposal to adopt the merger agreement.

Q: How do I vote shares held in the Harman Retirement Savings Plan?

A: If you are an employee or former employee of the Company or its subsidiaries who has a right to vote shares acquired through your participation in the Harman retirement savings plan, a tax-qualified 401(k) plan, you are entitled to instruct the trustee, Fidelity Management Trust Company, how to vote the shares allocated to your

account. The trustee will vote those shares as you instruct. Your proxy card covers any shares held in your Harman Retirement Savings Plan account, as well as any other shares registered in your name as of the record date. **To allow sufficient time for the trustee to vote, your voting instructions must be received by no later than 11:59 p.m. Eastern Standard Time on February 14, 2017.** If you own shares through the Harman employee retirement savings plan, and you do not direct the trustee of the plan to vote your shares, then the trustee will vote the shares credited to your account in the same proportion as the voting of shares for which the trustee receives direction from other participants.

Q: Can I revoke my proxy?

A: Yes. You can revoke your proxy at any time before the vote is taken at the special meeting. If you are a stockholder of record, you may revoke your proxy by notifying the Company s Corporate Secretary in writing at Harman International Industries, Incorporated, 400 Atlantic Street, Stamford, Connecticut 06901, Attention: Corporate Secretary, or by submitting a new proxy by telephone, the Internet or mail, in each case, dated after the date of the proxy being revoked. In addition, you may revoke your proxy by attending the special meeting and voting in person (simply attending the special meeting will not cause your proxy to

Table of Contents

be revoked). Please note that if you hold your shares in street name and you have instructed a broker, bank or other nominee to vote your shares, the above-described options for revoking your voting instructions do not apply, and instead you must follow the instructions received from your broker, bank or other nominee to revoke your voting instructions.

Q: What happens if I do not vote?

A: The vote to adopt the merger agreement is based on the total number of shares of our common stock outstanding as of the close of business on the record date, not just the shares that are voted. **If you do not vote, it will have the same effect as a vote against the proposal to adopt the merger agreement.**

Q: Will my shares of common stock held in street name or another form of record ownership be combined for voting purposes with shares I hold of record?

A: No. Because any shares of common stock you may hold in street name will be deemed to be held by a different stockholder than any shares of common stock you hold of record, any shares of common stock so held will not be combined for voting purposes with shares of common stock you hold of record. Similarly, if you own shares of common stock in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares of common stock because they are held in a different form of record ownership. Shares of common stock held by a corporation or business entity must be voted by an authorized officer of the entity. Shares of common stock held in an individual retirement account must be voted under the rules governing the account.

Q: What happens if I sell my shares of common stock before completion of the merger?

A: If you transfer your shares of common stock, you will have transferred your right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares of common stock through completion of the merger.

The record date for stockholders entitled to vote at the special meeting is earlier than the consummation of the merger. If you transfer your shares of common stock after the record date but before the closing of the merger, you will have transferred your right to receive the merger consideration in the merger, but you will have retained the right to vote at the special meeting.

Q: Should I send in my stock certificates or other evidence of ownership now?

A: No. After the merger is completed, you will receive a letter of transmittal and related materials from the paying agent for the merger with detailed written instructions for exchanging your shares of common stock for the merger consideration. If your shares of common stock are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you

need to take to effect the surrender of your street name shares in exchange for the merger consideration. **Do not send in your certificates now.**

Q: I do not know where my stock certificate is how will I get the merger consideration for my shares?

A: If the merger is completed, the transmittal materials you will receive after the completion of the merger will include the procedures that you must follow to receive the merger consideration, including, in the case of holders of stock certificates, if you cannot locate your stock certificate(s). This will include an affidavit that you will need to sign attesting to the loss of your stock certificate(s). The Company may also require that you provide a customary indemnity agreement to the Company in order to cover any potential loss.

Table of Contents

Q: Am I entitled to exercise dissenters or appraisal rights instead of receiving the merger consideration for my shares of common stock?

A: Under Section 262 of the DGCL, stockholders who do not vote for the adoption of the merger agreement have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery, but only if they comply fully with all applicable requirements of the DGCL, which are summarized in this proxy statement. Any appraisal amount determined by the court could be more than, the same as, or less than the value of the merger consideration of $112.00 per share. Any stockholder intending to exercise appraisal rights must, among other things, submit a written demand for appraisal to the Company before the vote on the proposal to adopt the merger agreement; and such stockholder must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of appraisal rights. The discussion of appraisal rights contained in this proxy statement is not a full summary of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL that is attached to this proxy statement as Annex D.

For additional information, see the section entitled *Appraisal Rights*. Because of the complexity of the DGCL relating to appraisal rights, if you are considering exercising your appraisal rights, we encourage you to seek the advice of your own legal counsel.

Q: What are the material U.S. federal income tax consequences of the merger to Company stockholders?

A: If you are a U.S. holder (as defined in *The Merger (Proposal 1) Material U.S. Federal Income Tax Consequences of the Merger*), the receipt of cash in exchange for shares of common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisor regarding the particular tax consequences to you of the exchange of shares of common stock for cash pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

Q: What does it mean if I get more than one proxy card or voting instruction card?

A: If your shares of common stock are registered differently or are held in more than one account, you will receive more than one proxy card or voting instruction card. Please complete and return all of the proxy cards or voting instruction cards you receive (or submit each of your proxies by telephone or the Internet) to ensure that all of your shares of common stock are voted.

Q: What is householding and how does it affect me?

A: The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for beneficial owners of

common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Table of Contents

Q: Who can help answer my other questions?

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact MacKenzie Partners, Inc., our proxy solicitation agent in connection with the merger, or the Company.

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Email: proxy@mackenziepartners.com

Call collect: (212) 929-5500

Call toll-free: (800) 322-2885

or

Harman International Industries, Incorporated

400 Atlantic Street

Stamford, Connecticut 06901

Attention: Investor Relations

(203) 328-3500

If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents incorporated by reference in this proxy statement, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are identified by the use of the words believe, expect, anticipate, intend, estimate, will, contemplate, would and similar expressi contemplate future events. Such forward-looking statements are based on management s current assumptions and expectations, including the expected completion and timing of the merger and other information relating to the merger. You should be aware that forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made, and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. In addition to other factors and matters contained in or incorporated by reference in this proxy statement, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement,
- the failure to obtain the required vote of the Company s stockholders to adopt the merger agreement, the failure to obtain required U.S. and/or foreign regulatory approvals, or the failure to satisfy any of the other closing conditions to the merger, and any delay in connection with the foregoing,
- risks related to the distraction of management s attention from the Company s ongoing business operations due to the pendency of the merger,
- the effect of the announcement of the merger on the ability of the Company to retain and hire key personnel, maintain relationships with its customers and suppliers, and maintain its operating results and business generally,
- the outcome of any legal proceedings that have been or may be instituted against the Company, our board of directors and others relating to the merger agreement and
- other risks detailed in our filings with the SEC, including our most recent Annual Report on Form 10-K and later filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. See *Where You Can Find Additional Information*.

Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot

guarantee any future results, levels of activity, performance or achievements.

Table of Contents

THE COMPANIES

Harman International Industries, Incorporated

Harman International Industries, Incorporated, referred to as Harman, the Company, we, our or us, is a Delaware corporation. We believe we are a leader in the design and engineering of connected products and solutions for automakers, consumers and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions and connected services. We have developed, both internally and through a series of strategic acquisitions, a broad range of product offerings sold under renowned brand names in our principal markets. Our AKG®, AMX®, Crown®, Harman/Kardon®, Infinity®, JBL®, JBL Professional, Lexicon®, Mark Levinson®, Martin®, Revel®, Soundcraft® and Studer® brand names are well known worldwide for premium quality and performance. Our software solutions power mobile devices and systems that are designed to be connected, integrated, personalized and adaptive across all platforms, from work and home, to car and mobile.

Connected Car

Our Connected Car segment designs, manufactures and markets connected car systems for vehicle applications to be installed primarily as original equipment by automotive manufacturers. Our scalable connected car platforms deliver enhanced and connected capabilities to the car, including intelligent high-performance navigation with embedded solutions for multimedia, premium entertainment tuners, and on-board and off-board connectivity that address a wide range of vehicle categories. Leveraging a software-driven computer platform, we offer an integrated suite of technologies that extends beyond infotainment to encompass telematics, connected safety, and over-the-air update capabilities. We also offer a comprehensive suite of automotive cyber security solutions through a multi-layer architecture that can protect not only future vehicles, but connected cars on the road today. Global customers for our connected car systems include BMW, Daimler, Fiat Chrysler Automobiles, Ford, Geely, General Motors, Hyundai, Qoros, Subaru, Suzuki, TATA Group, Toyota/Lexus, Ssangyong, the Volkswagen Group and Yamaha. We also produce an infotainment system for Harley-Davidson touring motorcycles.

Lifestyle Audio

Our Lifestyle Audio segment designs, manufactures and markets car audio systems for vehicle applications to be installed primarily as original equipment by automotive manufacturers, as well as a wide range of consumer audio products including mid- to high-end loudspeakers and electronics, headphones, embedded audio products for consumer electronics and branded portable wireless speakers. We believe that we continue to redefine audio excellence for the home, the car and on-the-go listening. Our Lifestyle Audio products are marketed worldwide under renowned brand names including AKG, Harman/Kardon, Infinity, JBL, JBL Professional, Lexicon, Mark Levinson, JBL Synthesis® and Revel. We also have rights to use the Bowers & Wilkins®, Bang & Olufsen® and Canton® brand names within the automotive space. Global customers for our premium car audio systems include Aston Martin, BMW, Daimler, Fiat Chrysler Automobiles, Ford, Geely, General Motors, Great Wall, Hyundai, McLaren, PSA Peugeot Citroën, SAIC, Subaru, Tesla, Toyota/Lexus and the Volkswagen Group. Our car audio products feature innovative technologies such as Clari-Fi™, HALOsonic™ and Quantum Logic Surround .

Professional Solutions

Our Professional Solutions segment designs, manufactures and markets an extensive range of audio, lighting, video and control, and automation solutions for entertainment and enterprise applications, including live concerts and festivals, stadiums, airports, hotels and resorts, conference centers, educational institutions, command centers and houses of worship. We offer a variety of products, including loudspeakers, amplifiers, digital signal processors,

microphones, headphones, mixing consoles, guitar pedals, lighting, video and control, and enterprise automation solutions. Our Professional Solutions audio products are used at important events and in prestigious

Table of Contents

venues, such as the GRAMMY® Awards, the Emmy® Awards, the Super Bowl®, the Oscars®, the MTV® Video Music Awards, the Country Music Awards® and Yankee Stadium. Our Professional Solutions products are marketed globally under a number of well-established brand names, including AKG, AMX, BSS®, Crown, dbx®, DigiTech®, JBL Professional, Lexicon, Martin, Soundcraft and Studer.

Connected Services

Our Connected Services segment includes the operating results of Symphony Teleca Corporation, Red Bend Ltd. and our automotive services businesses. Our Connected Services segment creates innovative software solutions that integrate design, mobility, cloud and analytics and brings the benefits of the connected world to the automotive, retail, mobile, healthcare, media and consumer electronics markets. Our Connected Services segment offers services and solutions in order to help customers understand and visualize their data so they can make faster and more informed decisions, cloud-enable their businesses, support technical agility and exploit omni-channel strategies. Our Connected Services segment customers include BMW, Daimler, the Volkswagen Group, Jaguar Land Rover, Microsoft, British Telecom and Polycom.

Principal Executive Offices and Additional Information

Harman s principal executive offices are located at 400 Atlantic Street, Stamford, Connecticut 06901; our telephone number is (203) 328-3500; and our Internet website address is www.harman.com. The information provided on or accessible through Harman s website is not part of this proxy statement and is not incorporated in this proxy statement by this or any other reference to our website provided in this proxy statement.

A detailed description of the Company s business is contained in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2016, which is incorporated by reference into this proxy statement. See *Where You Can Find Additional Information.*

Samsung Electronics Co., Ltd.

Samsung Electronics Co., Ltd., referred to as Samsung, is a corporation incorporated under the laws of the Republic of Korea. Samsung is a global leader in the electronics and information technology industries. Samsung designs, manufactures and sells a wide range of consumer electronics products, mobile communications devices and information technology products to retail and commercial customers, as well as semiconductor products, display panels and telecommunications systems to industrial customers around the world. With its global network and industry-leading brands, Samsung recorded consolidated revenue of KRW 201 trillion (approximately $171 billion) in 2015.

Samsung s operating activities are organized into the following three business segments:

Consumer Electronics The Consumer Electronics Segment produces a broad range of visual display products, such as flat panel televisions and computer monitors, as well as home appliances including refrigerators, air conditioners, washers and dryers;

Information Technology and Mobile Communications The Information Technology and Mobile Communications Segment produces a broad range of mobile phones, network systems and personal

computers, as well as digital imaging products; and

Device Solutions The Device Solutions Segment includes the Semiconductor Division that produces a broad range of semiconductor products, such as DRAM, NAND flash memory and mobile application processors, and the Display Panel Division that produces a broad range of display panels, such as TFT-LCD and OLED panels, for televisions, computer monitors and mobile phones.

Samsung s principal executive offices are located at 129 Samsung-ro, Yeongtong-gu, Suwon, Gyeonggi-do, Korea, and its telephone number is +82-31-200-1114.

Table of Contents

Shares of Samsung are listed, and trade on, the KOSPI Market of the Korea Exchange under the code 005930.

Samsung Electronics America, Inc.

Samsung Electronics America, Inc., referred to as Samsung USA, is a New York corporation and a wholly owned subsidiary of Samsung that serves as Samsung s regional headquarters for North America. Samsung USA primarily markets and sells a broad range of products offered by Samsung, including televisions, mobile phones, home appliances, network systems and other IT devices, to both retail and commercial customers located in the United States. Samsung USA also oversees Samsung s other North American operations, such as the development, manufacture, distribution and sale of semiconductor and telecommunications products, conducted through various subsidiaries of Samsung in North America.

Samsung USA s principal executive offices are located at 85 Challenger Road, Ridgefield Park, New Jersey 07660, United States.

Silk Delaware, Inc.

Silk Delaware, Inc., referred to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of Samsung USA that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement.

Table of Contents

THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the board for use at the special meeting to be held on February 17, 2017, at 9:00 a.m. Eastern Standard Time, at the Sheraton Hotel, 700 E. Main St., Stamford, Connecticut 06901, or at any adjournment or postponement thereof.

This proxy statement and the enclosed form of proxy are first being mailed to our stockholders on or about January 20, 2017.

Purposes of the Special Meeting

One purpose of the special meeting is for our stockholders to consider and vote upon the proposal to adopt the merger agreement. Our stockholders must approve the proposal to adopt the merger agreement for the merger to occur. If our stockholders fail to approve the proposal to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A, and the material provisions of the merger agreement are described under *The Merger Agreement.* Our stockholders are also being asked to approve the adjournment of the special meeting if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

In addition, in accordance with Section 14A of the Exchange Act, the Company is providing its stockholders with the opportunity to cast an advisory (non-binding) vote on the compensation that may be payable to its named executive officers in connection with the merger, the value of which is disclosed in the table in the section entitled *The Merger (Proposal 1) Interests of the Company s Directors and Executive Officers in the Merger.* The vote on executive compensation payable in connection with the merger is a vote separate and apart from the vote to adopt the merger agreement. Accordingly, a stockholder may vote to adopt the merger agreement and not to approve the executive compensation and vice versa. Because the vote on executive compensation is advisory only, it will not be binding on the Company, Samsung, Samsung USA or Merger Sub. Accordingly, because the Company is contractually obligated to pay the compensation, the compensation will be payable, subject only to the conditions applicable thereto, if the merger agreement is adopted and the merger is completed, regardless of the outcome of the advisory vote.

Recommendation of the Company s Board of Directors

After careful consideration, the board unanimously approved the merger agreement, the merger and the transactions contemplated thereby and determined that the merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of the Company and its stockholders. Certain factors considered by the board in reaching its decision to approve the merger agreement and the merger can be found in the section entitled *The Merger (Proposal 1) Reasons for the Merger.*

The board unanimously recommends that the Company s stockholders vote FOR the proposal to adopt the merger agreement, FOR the named executive officer merger-related compensation proposal and FOR the adjournment proposal.

Record Date and Quorum

The holders of record of common stock as of the close of business on January 10, 2017, the record date, are entitled to receive notice of and to vote at the special meeting. As of the close of business on the record date, 69,883,605 shares

of common stock were outstanding.

The presence at the special meeting, in person or by proxy, of the holders of record of a majority of the shares of our common stock outstanding as of the close of business on the record date will constitute a quorum, permitting

Table of Contents

the Company to conduct its business at the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting. However, if a new record date is set for an adjourned special meeting, then a new quorum will have to be established. Proxies received but marked as abstentions, described below under the sub-heading *Voting; Proxies; Revocation Providing Voting Instructions by Proxy*, will be included in the calculation of the number of shares considered to be present at the special meeting. Broker non-votes will not be included in the calculation of the number of shares considered to be present at the special meeting.

Required Vote

Each share of our common stock outstanding as of the close of business on the record date is entitled to one vote at the special meeting on each matter properly brought before the special meeting.

For the Company to complete the merger, stockholders holding a majority of the shares of our common stock outstanding as of the close of business on the record date must vote **FOR** the proposal to adopt the merger agreement. **A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote against the proposal to adopt the merger agreement.**

Approval of each of the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the merger and the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy at the special meeting and entitled to vote thereon. An abstention will have the same effect as a vote against these proposals, but the failure to vote your shares will have no effect on the outcome of these two proposals.

As of the close of business on the record date, there were 69,883,605 shares of common stock outstanding.

Voting by the Company s Directors and Executive Officers

As of the close of business on the record date, directors and executive officers of the Company were entitled to vote 503,701 shares of common stock, or approximately 0.7% of the shares of common stock outstanding on that date. We currently expect that the Company s directors and executive officers will vote their shares in favor of the proposal to adopt the merger agreement and the other proposals to be considered at the special meeting, although none of them is obligated to do so.

Voting; Proxies; Revocation

Attendance

All holders of shares of common stock as of the close of business on January 10, 2017, the record date, including stockholders of record and beneficial owners of common stock registered in the street name of a bank, broker or other nominee, are invited to attend the special meeting. If you are a stockholder of record, please be prepared to provide proper identification, such as a driver s license. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or voting instruction form provided by your bank, broker or other nominee or other similar evidence of ownership, along with proper identification.

Voting in Person

Stockholders of record will be able to vote in person at the special meeting. If you are not a stockholder of record, but instead hold your shares of common stock in street name through a bank, broker or other nominee, you must provide a proxy executed in your favor from your bank, broker or other nominee in order to be able to vote in person at the special meeting.

Table of Contents

Providing Voting Instructions by Proxy

To ensure that your shares of common stock are voted at the special meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the special meeting in person.

Shares of Common Stock Held by Record Holder

If you are a stockholder of record, you may provide voting instructions by proxy using one of the methods described below.

Submit a Proxy by Telephone or via the Internet. This proxy statement is accompanied by a proxy card with instructions for submitting voting instructions. You may vote by telephone by calling the toll-free number or via the Internet by accessing the Internet address as specified on the enclosed proxy card. Your shares of common stock will be voted as you direct in the same manner as if you had completed, signed, dated and returned your proxy card, as described below.

Submit a Proxy Card. If you complete, sign, date and return the enclosed proxy card by mail so that it is received in time for the special meeting, your shares of common stock will be voted in the manner directed by you on your proxy card.

If you vote by proxy (regardless of whether you vote over the Internet, by telephone or by mail), your votes must be received by 11:59 p.m. Eastern Standard Time on February 16, 2017, the day before the special meeting, to be counted.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the proposal to adopt the merger agreement, the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and the adjournment proposal. If you fail to return your proxy card and you are a holder of record as of the close of business on the record date, unless you attend the special meeting and vote in person, the effect will be that your shares of common stock will not be considered present at the special meeting for purposes of determining whether a quorum is present at the special meeting, will have the same effect as a vote against the proposal to adopt the merger agreement and will not affect the vote regarding the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger or the adjournment proposal.

Shares of Common Stock Held in Street Name

If your shares of common stock are held by a bank, broker or other nominee on your behalf in street name, your bank, broker or other nominee will send you instructions as to how to provide voting instructions for your shares. Many banks and brokerage firms have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by a voting instruction form.

In accordance with the rules of the NYSE, banks, brokers and other nominees who hold shares of common stock in street name for their customers do not have discretionary authority to vote the shares with respect to the proposal to adopt the merger agreement. Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the proposal to adopt the merger agreement. Under such circumstance, a broker non-vote would arise. Broker non-votes, if any, will not be considered present at the special meeting for purposes of determining whether a quorum is present at the

special meeting, will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement and will have no effect on the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the merger or the adjournment proposal. For shares of common stock held in street name, only shares of common stock affirmatively voted **FOR** the proposal to adopt the merger agreement will be counted as a favorable vote for such proposal.

Table of Contents

Revocation of Proxies

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it any time before it is voted. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the special meeting by:

- submitting a new proxy with a later date, by using the telephone or Internet proxy submission procedures described above, or by completing, signing, dating and returning a new proxy card by mail to the Company,
- attending the special meeting and voting in person or
- delivering to the Corporate Secretary of the Company a written notice of revocation c/o Harman International Industries, Incorporated, 400 Atlantic Street, Stamford, Connecticut 06901.

Please note, however, that only your last-dated proxy will count. Attending the special meeting without taking one of the actions described above will not in itself revoke your proxy. Please note that if you want to revoke your proxy by mailing a new proxy card to the Company or by sending a written notice of revocation to the Company, you should ensure that you send your new proxy card or written notice of revocation in sufficient time for it to be received by the Company before the special meeting.

If you hold your shares in street name through a bank, broker or other nominee, you will need to follow the instructions provided to you by your bank, broker or other nominee in order to revoke your proxy or submit new voting instructions.

Abstentions

An abstention occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting. Abstentions will be included in the calculation of the number of shares of common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. Abstaining from voting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement, a vote **AGAINST** the advisory (non-binding) proposal on executive compensation payable to the Company s named executive officers in connection with the merger and a vote **AGAINST** the adjournment proposal.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed, including for the purpose of soliciting additional proxies. In the event that there is present, in person or by proxy, sufficient favorable voting power to secure the vote of the stockholders of the Company necessary to approve the proposal to adopt the merger agreement, the Company does not anticipate that it will adjourn or postpone the special meeting.

The special meeting may be adjourned by the affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote at the special meeting. Any signed proxies received by the Company in which no voting instructions are provided on such matter will be voted in favor of an adjournment in these circumstances. Any adjournment or postponement of the special meeting, including for the purpose of soliciting additional proxies, will allow the Company s stockholders who have

already sent in their proxies to revoke them at any time prior to their use at the special meeting when reconvened.

Solicitation of Proxies

The board is soliciting your proxy, and we will bear the cost of this solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of

Table of Contents

our outstanding common stock. MacKenzie Partners, Inc., a proxy solicitation firm, has been retained to assist us in the solicitation of proxies for the special meeting, and we expect to pay MacKenzie Partners, Inc. approximately $40,000, plus reimbursement of out-of-pocket expenses, in connection with this solicitation. Proxies may be solicited by mail, personal interview, email, telephone, or via the Internet by MacKenzie Partners, Inc. or, without additional compensation, by certain of the Company s directors, officers and employees.

Other Information

You should not return your stock certificate or send documents representing common stock with the proxy card. If the merger is completed, the paying agent for the merger will send you a letter of transmittal and related materials and instructions for exchanging your shares of common stock for the merger consideration.

Table of Contents

THE MERGER (PROPOSAL 1)

Certain Effects of the Merger

If the merger agreement is adopted by the Company s stockholders and the other conditions to the closing of the merger are either satisfied or waived (to the extent permitted by applicable law), Merger Sub will be merged with and into the Company, with the Company being the surviving corporation in the merger.

Upon the consummation of the merger, each share of our common stock outstanding immediately prior to the effective time (other than shares held by the Company, any wholly owned subsidiary of the Company, Samsung, Samsung USA or Merger Sub, which will be cancelled, or by stockholders who have properly exercised and perfected appraisal rights under Delaware law) will be converted into the right to receive $112.00 in cash, without interest and less any applicable withholding taxes.

Our common stock is currently registered under the Exchange Act and is quoted on the NYSE under the symbol HAR. As a result of the merger, the Company will cease to be a publicly traded company and will become an indirect, wholly owned subsidiary of Samsung. Following the consummation of the merger, our common stock will be delisted from the NYSE and deregistered under the Exchange Act, and the Company will no longer be required to file periodic reports with the SEC with respect to our common stock, in each case in accordance with applicable law, rules and regulations.

Background of the Merger

As part of their ongoing evaluation of the Company s business and long-term strategic goals and plans, the board and the Company s senior management have periodically reviewed and assessed the Company s operations, financial performance and industry conditions as they may affect the Company s long-term strategic goals and plans. This evaluation has included, from time to time, reviewing potential strategic acquisitions, ventures, separation transactions and counterparties to strategic transactions and engaging in preliminary discussions with certain of those potential counterparties. As longstanding advisors of the Company, J.P. Morgan, as financial advisor to the Company, and Wachtell, Lipton, Rosen & Katz (Wachtell Lipton), as legal counsel to the Company, from time to time participated in and assisted the board with such reviews and assessments.

During late 2015, this evaluation included preliminary discussions with a potential strategic counterparty that we refer to as Company A regarding a potential business combination. On November 2, 2015, the Company and Company A entered into a mutual confidentiality agreement and began sharing certain non-public information regarding their respective businesses. On December 17, 2015, Company A conveyed to the Company a non-binding proposal to combine with the Company for mixed cash and stock consideration (with a significant majority of the consideration consisting of Company A stock) which, at the time, would have represented, in aggregate, $115 per share of Company common stock (based on Company A s closing price on December 15, 2015) and a 25.1% premium to the Company s closing price on December 15, 2015 of $91.96 per share.

On December 22, 2015, the board held a special telephonic meeting with members of senior management and representatives of J.P. Morgan and Wachtell Lipton in attendance. Dinesh C. Paliwal, Chairman, President and Chief Executive Officer of the Company, and representatives of J.P. Morgan provided the board with an overview of Company A s non-binding proposal. The representatives of J.P. Morgan provided an update on recent developments in the industries in which the Company participates and activities being undertaken by other industry participants. They also reviewed the potential interest of and considerations regarding various industry participants and technology integrators which might be interested in a strategic transaction with the Company. The J.P. Morgan representatives

then discussed certain valuation considerations, including analyses of the financial terms of Company A s proposal and possible values of Company A s shares, and Company A s potential ability to offer an increased valuation per share of Company common stock, in light of, among other things, pro forma earnings-per-share accretion/dilution and pro forma credit ratings. Representatives of Wachtell

Table of Contents

Lipton reviewed with the board the directors fiduciary duties with respect to reviewing Company A s non-binding proposal and potential continued engagement with Company A. Following discussions, the board authorized the Company s senior management and advisors to continue to engage with Company A regarding the possibility of a potential business combination.

During January 2016, in light of significant ongoing volatility in global equity markets, including a reduction in the trading price of the shares of Company A (which significantly lowered the implied value of Company A s December 2015 proposal), the Company and Company A mutually agreed to terminate discussions relating to a potential business combination. During early February 2016, representatives of the Company sent to representatives of Company A a letter, in light of the termination of discussions, requesting, pursuant to the mutual confidentiality agreement, the return or destruction of any confidential materials previously shared.

During the summer and fall of 2016, the board authorized senior management of the Company to preliminarily explore a potential separation of the Company s businesses into two or more independent publicly traded companies. In late July 2016, the board also authorized the engagement of Lazard (together with J.P. Morgan, the Financial Advisors) as an additional financial advisor. As part of the board s ongoing review of opportunities to enhance stockholder value, senior management and the Company s outside financial and legal advisors discussed at length with the board the Company s ongoing work and analyses regarding these potential separation alternatives, and also reviewed with the board certain analyses of various potential counterparties that might be interested in a strategic transaction with the Company, at several board meetings during this period, including on July 29 (at which only J.P. Morgan was present) and August 19, 2016 (at which both Financial Advisors were present).

On August 22, 2016, Young Sohn, President and Chief Strategy Officer of Samsung, met a member of the Company s management team at an industry conference, and the executives had a brief discussion regarding the possibility of collaborations between Samsung and the Company, particularly in the automotive area. The Company s management member suggested that if Mr. Sohn wished to have more detailed discussions, he should discuss with Mr. Paliwal. Following an exchange of introductory emails between Messrs. Sohn and Paliwal, on August 24, 2016, Mr. Sohn telephoned Mr. Paliwal and expressed Samsung s interest in having a discussion regarding potential strategic partnerships, including a potential acquisition of the Company by Samsung. Messrs. Sohn and Paliwal agreed to meet in San Jose, California on September 8, 2016 to continue these preliminary discussions. During this period, Mr. Paliwal kept Ann McLaughlin Korologos, Lead Director, informed of the preliminary conversations with representatives of Samsung and of the planned meeting in San Jose.

On September 8, 2016, Mr. Paliwal met with Mr. Sohn and other representatives of Samsung in San Jose, California. At the meeting, Mr. Paliwal provided the Samsung representatives with a high-level overview of the Company s businesses based on publicly available information. Following a request by Samsung for an additional meeting, representatives of the Company explained to representatives of Samsung that the board would need to agree to any further discussions that Samsung wished to have and that, if the two parties were to hold further discussions (including any discussion of material non-public information relating to the Company), a confidentiality agreement would be required.

On September 14, 2016, the board held a regularly scheduled meeting in Greenwich, Connecticut, with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. At the meeting, members of senior management and representatives of the Financial Advisors discussed with the board recent developments in the industries in which the Company participates and provided the board with an overview of strategic, financial and valuation considerations relating to potential separation transactions with respect to the Company s businesses as part of the board s ongoing review of opportunities to enhance stockholder value. The directors discussed with the members of management and the Financial Advisors different potential structures for a

separation transaction. Following discussions, the board authorized senior management to continue to review, with the assistance of the Financial Advisors and Wachtell Lipton, the Company s potential separation alternatives. Mr. Paliwal then provided the board with an overview of the preliminary discussions with Samsung. Mr. Paliwal explained that Samsung had not yet made a specific

transaction proposal, and that Samsung had requested an additional meeting with Company management and non-public information regarding the Company and its businesses as Samsung considered whether to make a proposal. Following discussions, including as to the level of Samsung s interest and its ability to consummate a strategic transaction with the Company in a timely fashion, the board expressed their support for Mr. Paliwal continuing discussions with Samsung, including the execution of a confidentiality agreement (with a standstill provision) to permit the sharing of non-public information with Samsung.

On September 16, 2016, the Company and Samsung entered into a confidentiality agreement containing a standstill provision.

On September 18 and 19, 2016, Mr. Paliwal, Sandra Rowland, Executive Vice President & Chief Financial Officer of the Company, and David J. Slump, Executive Vice President of Operations of the Company, met in New York with Mr. Sohn and other representatives of Samsung. The Company representatives presented an overview of each of the Company s business segments, as well as a brief financial overview of the Company. During this meeting, the Samsung representatives indicated that, while Samsung was interested in making a proposal to acquire the Company, Samsung required more detailed due diligence information in order to be able to submit a specific proposal. The representatives of the Company responded that any due diligence information would need to be limited and preliminary, as a broader due diligence review of the Company would only be possible on the basis of a proposal that included a specific price determined by the board to merit further discussions and negotiations. On September 29, 2016, the Company and Samsung executed an additional letter agreement that specified, among other things, that non-public information provided by Samsung to the Company regarding Samsung would be treated confidentially by the Company.

Representatives of each of the Company and Samsung held an additional meeting in San Jose, California, on September 30, 2016 (as well as a follow-up telephone call on October 2, 2016), during which representatives of the Company provided further information to representatives of Samsung regarding the Company s businesses.

On October 4, 2016, Samsung delivered a non-binding letter of intent to the Company indicating that, subject to satisfactory completion of Samsung s due diligence review of the Company and the negotiation of mutually acceptable definitive transaction documentation, Samsung would be prepared to acquire the Company at an all-cash price of $106 per share. In its proposal, Samsung stated that it was prepared to move expeditiously to consummate a transaction, that Samsung intended to finance the transaction using cash on its balance sheet and that the receipt of financing would not be a condition to closing, that the offered price was contingent upon execution of an exclusivity agreement that would prohibit the Company from discussing any competing acquisition proposals made by third parties during a specified period, and that Samsung had appointed Evercore Group L.L.C. (Evercore) as its financial advisor and Paul Hastings LLP (Paul Hastings) as its outside legal counsel. A form of exclusivity agreement was attached to Samsung s proposal.

On October 6, 2016, the board held a regularly scheduled meeting in Detroit, Michigan, with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. During the meeting, Mr. Paliwal provided an update on the meetings with Samsung representatives that had taken place on September 18 19 and September 30, 2016 and the follow-up call on October 2, 2016. Members of senior management and representatives of the Financial Advisors provided the board with an overview of Samsung s non-binding proposal. Representatives of the Financial Advisors then reviewed strategic and financial considerations related to Samsung s non-binding proposal, including certain preliminary valuation considerations and analyses with respect to the Company and its common stock. Representatives of the Financial Advisors also provided the board with an overview of Company A s abandoned proposal from December 2015 for purposes of comparison. Representatives of J.P. Morgan noted for the board that representatives of Company A s outside financial advisors (Company A Advisor) had recently contacted J.P. Morgan, after a period of no communication on this matter since February, to request a

meeting to informally review certain financial and other considerations relating to a potential negotiated strategic transaction between Company A and the Company. Discussion among the directors, senior management and the Financial Advisors ensued, including regarding the

performance and volatility of Company A s shares since December 2015 and the Financial Advisors views as to the perceived limitations on Company A s ability to make an attractive proposal in light of Company A s constraints tied to, among other things, Company A s current stock price (which had decreased significantly since the December 2015 abandoned proposal), pro forma accretion/dilution and pro forma credit ratings. Members of senior management and representatives of the Financial Advisors also discussed with the board considerations related to remaining a standalone entity under various scenarios, as well as the potential interest and capability of other industry participants and technology integrators as strategic transaction counterparties for the Company, and considerations regarding the possibility of actively soliciting interest from potential counterparties. Following extensive discussions, the board directed Mr. Paliwal to respond to Samsung s proposal by indicating that the board was only interested in pursuing a transaction at a meaningfully higher price per share than the $106 offered in Samsung s non-binding proposal, and that the Company was not prepared at this time to enter into Samsung s proposed exclusivity agreement. The board also authorized J.P. Morgan to meet with Company A Advisor regarding Company A Advisor s outreach to J.P. Morgan relating to a potential negotiated strategic transaction between Company A and the Company and to report back to the Company s senior management team regarding Company A s level of interest in pursuing a potential business combination and related valuation considerations. Mr. Paliwal and representatives of the Financial Advisors also provided the board with an update on the Company s and the Financial Advisors analyses regarding a potential separation of the Company s businesses, as well as strategic, financial and valuation considerations in connection with potential separation structures. Following discussion, the board authorized management, together with the Financial Advisors and Wachtell Lipton, to continue their exploration of potential separation transactions.

On October 6, 2016, Mr. Paliwal called Mr. Sohn and delivered the board s response (described above) to Samsung s non-binding proposal of October 4, 2016. Later on October 6, 2016, representatives of J.P. Morgan and Lazard also communicated the board response to representatives of Evercore.

On October 10, 2016, Mr. Sohn called Mr. Paliwal and informed him that Samsung was now prepared to offer $109 in cash per share to acquire the Company, subject to the conditions set forth in the non-binding proposal of October 4, 2016. In connection with relaying the increased offer, Mr. Sohn stated that Samsung would not agree to a higher price. Later on October 10, 2016, representatives of Evercore also communicated the proposal to representatives of J.P. Morgan and Lazard.

On October 11, 2016, the board held a special telephonic meeting with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. During the meeting, Mr. Paliwal updated the board regarding his discussions with Mr. Sohn and Samsung s revised proposal. Representatives of the Financial Advisors then jointly presented for the board a jointly prepared financial analysis with respect to the Company, including potential standalone valuations of the Company under different scenarios. Representatives of Wachtell Lipton reviewed with the board the directors fiduciary duties with respect to reviewing and considering Samsung s non-binding proposal and potential continued engagement with Samsung. Following extensive discussions, including with respect to the status of a meeting between J.P. Morgan and Company A Advisor as discussed with the board on October 6, 2016 (which management and J.P. Morgan reported had not occurred (despite J.P. Morgan having sought to schedule the meeting for earlier that week) and had been scheduled for October 13, 2016 based on Company A Advisor s availability) and the views of senior management and the Financial Advisors regarding Company A s likely level of interest and ability to make an attractive offer based on recent interactions with Company A Advisor and various constraints that Company A would likely face in connection with the making of such an offer, the board directed Mr. Paliwal to respond to Samsung s proposal by instructing Samsung that the board was not prepared to move forward at $109 per share, and authorized Mr. Paliwal to negotiate with the Samsung representatives in order to obtain an offer in excess of $109 per share. The board also authorized Mr. Paliwal to agree to enter into an exclusivity agreement or a no shop agreement with Samsung on customary terms and for a limited period (subject to J.P. Morgan s report on its meeting with Company A Advisor to senior management), if Mr. Paliwal determined it was necessary to

secure an offer of at least $112 per share.

Later on October 11, 2016, Mr. Paliwal called Mr. Sohn to convey the board s response to Samsung s revised non-binding proposal. Following several subsequent conversations throughout that day, during which Mr. Sohn

Table of Contents

initially increased Samsung s offer price to $111 per share, Mr. Sohn agreed with Mr. Paliwal to increase Samsung s offer price to $112 per share in cash. As a condition to Samsung increasing its offer price to $112 per share, Messrs. Sohn and Paliwal agreed that the Company would enter into a no shop agreement with Samsung, which agreement would contain exceptions to permit the Company to pursue discussions and negotiations with respect to, and/or accept, in each case without the payment of any fees or expenses to Samsung, an unsolicited competing proposal that was superior to Samsung s proposal (or would reasonably be expected to lead to a superior proposal) received from a third party during a specified no shop period. Later that evening, Mr. Paliwal updated the board members regarding the outcome of his discussions with Mr. Sohn.

On October 12, 2016, Samsung delivered a revised non-binding letter of intent to the Company indicating that, subject to satisfactory completion of Samsung s due diligence review of the Company and the negotiation of mutually acceptable definitive transaction documentation, Samsung was prepared to acquire the Company in an all-cash transaction for $112 per share. In its proposal, Samsung stated that it was prepared to move expeditiously to consummate a transaction, but that the offer price was contingent upon the Company entering into a no shop letter agreement, which would generally prohibit the Company (until November 14, 2016) from soliciting alternative transaction proposals. A form of the letter agreement was attached to Samsung s proposal.

During October 13 and 14, 2016, representatives of Wachtell Lipton and Paul Hastings exchanged several drafts, and negotiated the terms, of the letter agreement.

On October 13, 2016, representatives of J.P. Morgan met in New York with representatives of Company A Advisor to informally review certain financial and other considerations relating to a potential strategic transaction between Company A and the Company. Later on October 13, 2016, representatives of J.P. Morgan updated the Company s senior management, Lazard and Wachtell Lipton regarding its meeting with Company A Advisor. Representatives of J.P. Morgan reported that Company A Advisor did not convey a proposal from Company A regarding a strategic business combination with the Company, but rather reviewed with the representatives of J.P. Morgan illustrative transactions and explained various considerations and constraints that would impact any proposal that Company A might make in the future, if it were to make one at all. Following extensive discussions, members of senior management and the Financial Advisors concluded that, in light of the board s directives at its October 11, 2016 meeting and based on J.P. Morgan s discussions with representatives of Company A Advisor, in particular with respect to the constraints described by representatives of Company A Advisor relating to, among other things, the requirement that a significant portion (and in any case more than a majority) of the consideration in such a combination would be in the form of Company A stock, Company A s then-current stock price, pro forma accretion/dilution in a potential combination and pro forma credit ratings, Company A was unlikely to be in a position to make a proposal that the Company s board would find attractive, particularly in relation to the all-cash $112 per share proposal made by Samsung.

At Mr. Paliwal s instruction, J.P. Morgan called Company A Advisor on October 14, 2016 to convey that, in order for a potential proposal from Company A to be viewed favorably by the board, the proposal would need to include a higher portion of cash consideration relative to the mix previously provided by Company A in its December 2015 proposal and suggested by Company A Advisor at the October 13, 2016 meeting, and represent a valuation of the Company higher than that generally implied by the various considerations and constraints raised by Company A Advisor at the meeting. Early the next morning, Mr. Paliwal updated the board members regarding the ongoing discussions with Samsung, as well as J.P. Morgan s meeting with Company A Advisor. The board members indicated their concurrence with the ongoing discussions with Samsung and the actions taken with respect to Company A. Representatives of Company A Advisor did not thereafter contact representatives of J.P. Morgan regarding the Company or Company A.

Later on October 14, 2016, after negotiating the form of no shop letter agreement, including, among other things, to provide that the Company would be permitted to respond to any unsolicited inquiry from a third party by informing that third party that the Company would not be permitted to enter into any negotiations unless the third party presented a proposal satisfying specified criteria, and that the Company would be permitted to engage

Table of Contents

in due diligence and negotiations relating to an unsolicited proposal that the board determined would reasonably be expected to lead to a proposal superior to Samsung s proposal, the Company and Samsung entered into a letter agreement that generally prohibited the Company from soliciting competing acquisition proposals until November 3, 2016, which date would be extended to November 14, 2016 if the parties mutually agreed in good faith that Samsung was continuing to diligently pursue its due diligence review of the Company and negotiate the terms of the proposed transaction at that time.

Beginning on or about October 14, 2016, the parties and their respective financial and legal advisors engaged in ongoing discussions regarding the process for and scope of Samsung s due diligence review of the Company, and various related informational requests made by Samsung.

On October 15, 2016, representatives of Wachtell Lipton sent representatives of Paul Hastings a form of draft merger agreement with respect to the proposed transaction.

On October 19, 2016, representatives of J.P. Morgan and Lazard, on the Company s behalf, began to make available to representatives of Samsung and its advisors certain non-public information regarding the Company via a virtual data room. On October 21, 2016, representatives of Wachtell Lipton began to make available to representatives of Paul Hastings certain documents provided by the Company for review in a clean room format at the offices of Wachtell Lipton on an outside advisors-only basis.

On October 20, 2016 through October 22, 2016, members of each of the Company s and Samsung s management, as well as their respective financial and legal advisors (and, in the case of Samsung, accounting, tax and human resources advisors), met for management presentations by the Company at the offices of Paul Hastings in New York. Among other things, the attendees discussed in depth each of the Company s four business segments, as well as a variety of functional areas including finance, human resources, legal, intellectual property, tax, manufacturing, and technology matters. Additionally, as part of Samsung s due diligence process, on each of October 24, October 25, October 31 and November 3, 2016, the Company s representatives conducted site visits with representatives of Samsung at Company facilities in the United States, Mexico, China and Hungary, and representatives of each of Samsung and the Company engaged in numerous additional due diligence meetings and telephone calls throughout this time period.

At the management presentations in New York, senior executives of Samsung and its advisors informed senior members of the Company s management and its advisors that Samsung and its board would not be willing to enter into a definitive merger agreement or otherwise proceed with the proposed transaction unless certain members of the Company s senior management team entered into acceptable employment agreements with Samsung committing them to remain with the Company for a period of time following the closing of the proposed transaction, which agreements would have to be entered into at the time of signing of a definitive merger agreement but would not become effective until the merger closed. The members of senior management and advisors of the Company responded that there would be no discussions of any management arrangements unless and until the key terms of the merger agreement were agreed between the parties. Representatives of Samsung also informed representatives of the Company of their goal to complete Samsung s due diligence review of the Company by November 5, 2016 and finalize all key terms of the definitive transaction documentation by November 7, 2016, after which Samsung proposed that representatives of Samsung and certain members of the Company s senior management team would meet in Palo Alto, California to discuss retention and post-closing employment matters and the communications plan for announcing the proposed transaction. Representatives of Samsung also stated their goal of executing definitive transaction documentation and publicly announcing the proposed transaction during the week of November 14, 2016.

Early on October 25, 2016, representatives of Paul Hastings delivered a form of draft merger agreement to representatives of Wachtell Lipton.

On October 27, 2016, the board held a special telephonic meeting with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. Mr. Paliwal provided the board with

Table of Contents

an update on Samsung s due diligence review since the prior board meeting, and in particular discussed with the board the management presentations held in New York over the prior week and weekend. Representatives of Wachtell Lipton discussed with the board certain material terms in the draft merger agreement received from Samsung s legal advisors and proposed responses. Mr. Paliwal also discussed with the board Samsung s insistence that certain key members of the Company s senior management enter into employment arrangements with Samsung as a condition to Samsung s entering into a definitive merger agreement, and the response provided to Samsung at the management presentations. Among other matters, representatives of the Company s senior management and the Financial Advisors also again reviewed with the board the prior discussions between J.P. Morgan and Company A Advisor regarding a potential strategic transaction between the Company and Company A. Mr. Paliwal and representatives of J.P. Morgan described the absence of meaningful engagement by Company A s representatives in recent months (other than the single meeting between representatives of J.P. Morgan and representatives of Company A Advisor on October 13, 2016, and the follow-up call from representatives of J.P. Morgan to Company A Advisor on October 14, 2016, which did not result in any further communication from Company A or Company A Advisor). In particular, they noted that there was currently no offer from Company A regarding a potential transaction and that there had not been any such offer since the December 2015 offer was abandoned. The board authorized the Company s management and its advisors to continue to cooperate with Samsung s due diligence review and to progress the negotiations of the draft merger agreement and other transaction documentation within the parameters discussed at the meeting. The board also concurred and directed that no discussions of any management arrangements could take place unless and until the key terms of the merger agreement were agreed and instructed management to relay the board s directive to representatives of Samsung.

Later on October 27, 2016, representatives of Wachtell Lipton delivered to representatives of Paul Hastings a revised draft of the merger agreement. Among other things, as discussed with the board, the revised merger agreement lowered the termination fee payable in certain circumstances proposed by Samsung, imposed a higher commitment on Samsung with respect to its efforts to obtain the required regulatory approvals to close the transaction than what Samsung had proposed, and permitted the Company to continue to pay regular quarterly cash dividends prior to closing (which the Paul Hastings draft merger agreement had prohibited).

On October 30, 2016, representatives of Paul Hastings sent a revised draft of the merger agreement to representatives of Wachtell Lipton.

On October 31, 2016, representatives of Paul Hastings met with representatives of Wachtell Lipton at the offices of Wachtell Lipton in New York to discuss the open issues in the draft merger agreement, including the termination fee payable by the Company in certain circumstances, the triggers for payment of the termination fee, the non-solicitation restrictions applicable to the Company, the commitment of Samsung to obtain the required regulatory approvals to close the merger and the Company s ability to continue to pay regular quarterly cash dividends prior to closing.

Over the course of the day on November 1, 2016, representatives of each of Paul Hastings and Wachtell Lipton further discussed telephonically various open issues in the draft merger agreement.

On November 2, 2016, following discussions with the Company s senior management, representatives of Wachtell Lipton delivered to representatives of Paul Hastings a further revised draft of the merger agreement. Later in the day on November 2, 2016, representatives of each of Wachtell Lipton and Paul Hastings met at the offices of Paul Hastings to discuss the open issues in the draft merger agreement. In the early hours of November 3, 2016, representatives of Paul Hastings delivered to representatives of Wachtell Lipton a revised draft of the merger agreement.

On November 3, 2016, the board held a special telephonic meeting with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. The Company s senior management and its advisors reviewed with the board the significant progress made with respect to Samsung s due diligence

Table of Contents

review of the Company and the negotiation of the draft merger agreement since the prior board meeting. Representatives of J.P. Morgan and Lazard also jointly reviewed with the board their jointly prepared preliminary financial analyses of the Company and the proposed transaction, which analyses had been updated to account for, among other things, the changes in financial markets since the prior presentation at the board meeting held on October 11, 2016, as well as for Samsung s increased offer price of $112 per share. Representatives of Wachtell Lipton discussed with the board the remaining significant open points in the draft merger agreement, including the amount of the termination fee payable by the Company under certain circumstances, the triggers for payment of the termination fee, the non-solicitation restrictions applicable to the Company, the commitment by Samsung to obtain the required regulatory approvals to close the merger, and the Company s ability to continue to pay regular quarterly cash dividends prior to the closing. The board authorized management to meet with representatives of Samsung in Palo Alto to discuss retention matters, including employment arrangements for certain members of senior management, and the communications plan for announcing the proposed transaction, but only if, prior to those meetings, the key terms of the merger agreement were agreed to by the parties within the parameters discussed at the November 3, 2016 board meeting.

Later in the evening on November 3, 2016, representatives of Wachtell Lipton delivered to representatives of Paul Hastings a revised draft of the merger agreement.

During the evening of November 4, 2016, representatives of Wachtell Lipton, J.P. Morgan and Lazard met with representatives of Paul Hastings and Evercore at the offices of Paul Hastings to discuss the remaining open issues in the draft merger agreement. During the course of the meeting, representatives of the parties agreed, among other things, to a termination fee of $240 million, to the Company s ability to continue to pay regular quarterly cash dividends until the closing, and to strengthen Samsung s commitment to obtain the required regulatory approvals such that Samsung would be required to agree to divestitures of the Company s businesses and/or conduct remedies so long as such actions would not have resulted in lost revenues to the Company of more than $450 million during the 12 months ended September 30, 2016, had such divestitures and/or other remedies been imposed during that period.

On November 5, 2016, representatives of Paul Hastings delivered to representatives of Wachtell Lipton a revised draft of the merger agreement.

On November 6, 2016, following further discussions between representatives of Paul Hastings and Wachtell Lipton, the parties confirmed that they were in agreement with respect to the key terms of the draft merger agreement. On November 7, 2016, representatives of Wachtell Lipton delivered to representatives of Paul Hastings a revised draft of the merger agreement, which the parties agreed was substantially final, subject to review and approval by the respective parties boards of directors.

On November 8 and 9, 2016, members of senior management of each of the Company and Samsung, together with certain of their outside advisors, met in Palo Alto to discuss retention matters, including post-closing employment arrangements between Samsung and certain members of the Company s senior management, and communications plans for announcing the proposed transaction. Discussions regarding these matters continued over the course of that week.

On November 11, 2016, the board held a special in-person meeting at the offices of Wachtell Lipton with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. Mr. Paliwal and other members of senior management briefed the board on the status of negotiations with Samsung, including that negotiations on the post-closing employment arrangements between Samsung and certain members of senior management were continuing and Samsung s continued insistence that it would not enter into a definitive merger agreement until the negotiations on post-closing employment arrangements were concluded in a manner satisfactory

to Samsung. The board also received an updated jointly prepared preliminary financial analysis presentation from representatives of the Financial Advisors, including with respect to the Company s standalone valuation and a potential acquisition by Samsung at the proposed price of $112 per share. The board, senior management and the Company s advisors discussed considerations related to remaining a

Table of Contents

standalone entity under various scenarios, as well as potential alternative strategic transactions that had been explored by the board during recent periods, including a potential separation of the Company s businesses, and discussions with the Financial Advisors and management regarding the potential interest and capability of other industry participants and technology integrators as strategic transaction counterparties for the Company. Representatives of Wachtell Lipton discussed with the board the directors fiduciary duties and presented to the board a detailed summary of the terms of the proposed merger agreement, including the non-solicitation provisions and the ability of the board to terminate the merger agreement with Samsung in order to accept a superior proposal, subject to payment of the termination fee. During the meeting, without the other members of senior management present, Mr. Paliwal and a representative of Wachtell Lipton also provided the board with a more detailed update regarding Samsung s discussions with certain members of senior management regarding post-closing employment arrangements, and an overview of the terms proposed to such individuals by Samsung. After extensive discussions, including as to the matters described in *Reasons for the Merger*, the board expressed full support for the transaction with Samsung and authorized the Company s management and advisors to seek to finalize the definitive transaction documentation with a view (assuming the negotiations of post-closing employment arrangements for certain members of senior management were successfully completed) to putting the transaction to a final board vote on November 13, 2016 and publicly announcing the transaction on November 14, 2016.

By November 13, 2016, Samsung reached agreement on the terms of post-closing employment agreements with the applicable members of the Company s senior management. See *Interests of the Company s Directors and Executive Officers in the Merger.*

On November 13, 2016, the board held a special telephonic meeting with members of senior management and representatives of the Financial Advisors and Wachtell Lipton in attendance. The Company s senior management and its legal and financial advisors reviewed with the board the terms of the proposed transaction with Samsung, including as compared to the merits and considerations of remaining as a standalone entity under various scenarios, and potential alternative strategic transactions that had been explored by the board during recent periods, including exploration of a potential separation of the Company s businesses, and discussions with the Financial Advisors and management regarding the potential interest and capability of other industry participants and technology integrators as strategic transaction counterparties for the Company. Representatives of Wachtell Lipton reported that there had been no material changes to the terms of the merger agreement since the board meeting on November 11, 2016 and then reviewed again for the directors their fiduciary duties in the context of their consideration of the potential Samsung transaction. Representatives of the Financial Advisors jointly reviewed with the board their jointly prepared financial analyses of the $112 per share cash consideration to be paid to the Company s stockholders in the proposed transaction, including as described in the sections entitled *Opinions of the Financial Advisors to the Company* and *Certain Additional Financial Analyses of the Financial Advisors*, which joint analyses had been updated since the November 11, 2016 board meeting, and delivered to the board each of their respective oral fairness opinions, which were confirmed by delivery of written opinions dated November 14, 2016, that, as of such date and based upon and subject to the assumptions, procedures, matters and limitations set forth therein, the $112 per share in cash to be paid to the holders of the Company s common stock (other than the Company, Samsung, their respective wholly owned subsidiaries or holders who properly exercise and perfect appraisal rights under Delaware law) in the merger was fair, from a financial point of view, to such holders, as more fully described in the section entitled *Opinions of the Financial Advisors to the Company*. Mr. Paliwal also informed the board that Samsung had reached agreements with the members of senior management on post-closing employment arrangements that Samsung had insisted were a condition to its entry into the merger agreement, and that such arrangements were consistent with the discussions on this matter at the November 11, 2016 board meeting. Following extensive discussions, including as to the matters described in *Reasons for the Merger*, the board unanimously determined to approve the merger and the merger agreement and the transactions contemplated thereby and to recommend that the stockholders of the Company adopt the merger agreement.

Table of Contents

Following the board s approval of the merger and the merger agreement, and approval by Samsung s board of directors following their meeting in Seoul during the morning of November 14, 2016 (Seoul time), representatives of the parties executed the merger agreement and the other transaction documents early on November 14, 2016.

At approximately 2:00 a.m. Eastern Standard Time on November 14, 2016, the Company and Samsung issued a joint press release announcing entry into the merger agreement.

Reasons for the Merger

At a meeting duly called and held on November 13, 2016, after careful consideration at this and prior board meetings, the board unanimously approved the merger agreement and determined that the merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of the Company and its stockholders. The board also resolved that the merger agreement be submitted for consideration by the Company s stockholders at a special meeting of stockholders and to recommend that the stockholders vote to adopt the merger agreement. In reaching its decision, the board consulted with the Company s senior management and its outside financial and legal advisors at various times and considered a number of factors, including the following principal factors (not in any relative order of importance) that the board believes support its decision:

Compelling Value. In light of the board s consideration of the Company s current business and operations, historical results of operations, strategic business plans and financial projections, industry developments, opportunities and risks or uncertainties in executing the Company s strategic plans, current and historical trading prices of the Company s common stock, and multiples of EBITDA and net income represented by the enterprise value of the Company implied by the merger consideration of $112.00 per share, and the premia to various stock trading prices implied by the merger consideration of $112.00 per share, the board believed that the $112.00 per share merger consideration offered compelling value to the Company s stockholders. As part of its decision, the board considered the fact that the merger consideration of $112.00 per share in cash represented the following attractive premiums and multiples:

- a 28% premium to the closing price of the Company s common stock on November 11, 2016, the last trading day prior to our announcement of the Company s entry into the merger agreement,
- a 37% premium to the Company s volume weighted average stock price over the 30 calendar days ending on November 11, 2016,
- a 38% premium to the Company s volume weighted average stock price over the one-year period ending on November 11, 2016,
- a 39% premium to the Company s volume weighted average stock price over the five-year period ending on November 11, 2016,

a 7.5% premium to the highest trading price of the Company s common stock during the 52 weeks ending on November 11, 2016,

an aggregate enterprise value equal to 10.2 times the Company s EBITDA over the 12 months ending on September 30, 2016, compared to a multiple of 8.2 times based on the Company s enterprise value as of September 30, 2016 and

a price-earnings multiple of 17.1 times the Company s net income per share for the 12 months ended September 30, 2016, compared to a price-earnings multiple of (1) an average of 14.9 times over the five years ending on November 11, 2016, (2) an average of 11.7 times over the year ending on November 11, 2016 and (3) 12.1 times as of September 30, 2016.

Best Available Alternative for Maximizing Stockholder Value. The board believed that (1) the merger consideration of $112.00 per share was more favorable to the Company s stockholders than the

Table of Contents

continued operation of the Company on a standalone basis, based on the board s understanding of the Company s business and operations, its current and historical results of operations, and financial prospects and conditions, and its determination that the continued operation of the Company on a standalone basis was not sufficiently likely to produce, on a risk-adjusted basis, outcomes that would create more value for stockholders than the current all-cash consideration offered by Samsung and (2) the $112.00 per share merger consideration was the best value reasonably available to the Company s stockholders. The board believed that a variety of factors supported this conclusion, including:

- the board s assessment of the Company s competitive position and historical and projected financial performance, and the nature of the industries in which the Company operates, particularly in light of the ongoing risks the Company faces due to its significant exposure to the historically cyclical and volatile consumer-facing automotive industry, intense competition from a wide range of current competitors and potential increased future competition, including from large global technology firms with significant financial resources, as well as the rapidly evolving technological landscape in the automotive industry generally and in the markets in which the Company competes specifically,

- the board s extensive discussions and deliberations with senior management and outside financial and legal advisors over several years regarding potential strategic alternatives and potential transaction counterparties, including discussions with senior management and the Financial Advisors regarding other industry participants and technology integrators and the perceived likelihood of any of these other parties having the interest and ability to acquire the Company on terms superior to those agreed with Samsung,

- the board s belief, in consultation with the Financial Advisors, that in light of Samsung s industry position, complementary businesses, stated strategic objectives, and wide geographic footprint, together with Samsung s strong balance sheet and financial position, Samsung would be the potential transaction partner most likely to offer the best combination of value and closing certainty to the Company s stockholders and, further, that if there were another buyer capable of making and willing to make a more compelling offer to acquire the Company, agreeing to and announcing a transaction with Samsung would be the best way to elicit any such offer, which offer would not be precluded by the terms of the merger agreement and

- the board s belief, based on input from senior management and the Financial Advisors with respect to Samsung s statements made and positions taken during extensive negotiations, that the price of $112.00 per share reflected in the merger agreement was the maximum amount that Samsung would be willing to pay to acquire the Company, and the board s assessment of the risk that any delay or interruption in the negotiations with Samsung could result in Samsung withdrawing or lowering its price and/or increase the likelihood of leaks to the media regarding the potential transaction, which could be damaging to the Company and its businesses.

Appropriate Time to Engage in a Sale of the Company. The board believed that while the Company s business is strong and continues to present opportunities for growth, as the Company has grown and competition in the industries in which it competes has increased, including due to competition from larger

global companies with greater resources than the Company, there are increasing challenges to maintaining the Company s historic and expected growth rate and profitability as a standalone company; and that the Company s stock is currently trading at multiples of earnings and EBITDA that are relatively high compared to its peer companies, and could decrease, and consequently lead to a decrease in the Company s stock price even if the Company s earnings and EBITDA did not decrease, if investor sentiment regarding the Company, one or more of the industries in which it competes generally, or the equity market generally, were to change in a negative fashion. In forming this belief, the board considered the execution risks associated with the cyclical and volatile markets in which the Company competes, the dependence of successful companies in those markets on rapidly evolving technology, and the current state of the economy and financial markets generally.

Table of Contents

Appropriateness of Process. The board believed that negotiating with Samsung and not affirmatively contacting other bidders was most likely to result in the best value reasonably available for the Company s stockholders based on the board s belief that (1) Samsung was well positioned to provide the best value reasonably available to the Company s stockholders in light of Samsung s strategic interest and significant financial resources, (2) it was not likely that another party would be willing to pursue a transaction at a value in excess of the value offered by Samsung, (3) in light of Samsung s insistence on pre-signing no shop obligations as a condition to its willingness to increase its offered price and proceed with its proposal, and Samsung s continued insistence that the definitive transaction documentation be entered into as quickly as possible, the risk of losing Samsung s pursuit of its proposal outweighed the possibility of receiving a more favorable proposal from another party and (4) the Company could and did use its acceptance of pre-signing no shop obligations as negotiating leverage with Samsung to receive a higher price from Samsung than would have otherwise been available. The board s views in this regard also took into account the Company s and the Financial Advisors prior discussions with Company A and Company A Advisor as more fully described in the section entitled *Background of the Merger*.

Financial Analyses of J.P. Morgan and Lazard and Receipt of Fairness Opinions. Representatives of the Financial Advisors reviewed with the board their respective analyses of the $112.00 per share cash consideration to be paid to the Company s stockholders in the proposed transaction, and the board received the oral opinions of each of J.P. Morgan and Lazard, delivered to the board on November 13, 2016, each of which was confirmed by delivery of a written opinion dated November 14, 2016, that, as of such date and based upon and subject to the assumptions, procedures, matters and limitations set forth therein, the consideration to be paid to the holders of the Company s common stock (other than the Company, Samsung, their respective wholly owned subsidiaries and holders who properly exercise and perfect appraisal rights under Delaware law) in the merger was fair, from a financial point of view, to such holders, as more fully described in the section entitled *Opinions of the Financial Advisors to the Company*. The full text of each of the written opinions of J.P. Morgan and Lazard, dated November 14, 2016, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering the applicable opinion, is attached as Annex B and Annex C, respectively, to this proxy statement.

Additional Financial Analyses of J.P. Morgan and Lazard. In addition to the analyses described in *Opinions of the Financial Advisors to the Company Summary of Joint Financial Analysis*, each of the Financial Advisors also prepared for, and discussed with, the board certain additional analyses, which in each case were prepared and presented for reference purposes only, and which are further described in *Certain Additional Financial Analyses of the Financial Advisors*. These additional analyses included, among others, a discounted cash flow analysis using the Sensitized Projections (as defined in *Projected Financial Information Management Projections and Extrapolations* and further described in *Projected Financial Information Sensitized Management Projections*) and otherwise following the same methodology set forth in *Opinions of the Financial Advisors to the Company Summary of Joint Financial Analysis Discounted Cash Flow Analysis*. Based on the discounted cash flow analysis using the Sensitized Projections, each of the Financial Advisors estimated an implied per share price range for the Company s common stock of $89.50 to $111.00, rounded to the nearest $0.25 per share.

Certainty of Value. The merger consideration is all cash, which the board believes will allow the Company s stockholders to realize a fair, certain and liquid value for their investment, thereby eliminating all business

and execution risks otherwise associated with an investment in the Company s equity, including the market risks, cyclicality and technological risks referred to above.

High Likelihood of Completion. The board considered the likelihood of completion of the merger to be high, particularly in light of the terms of the merger agreement and the closing conditions, including (1) the fact that Samsung is a major global company with immediately available cash on hand sufficient to fund the aggregate merger consideration without needing to obtain additional financing

Table of Contents

with its associated risks, and the related absence of a financing condition in the merger agreement, as well as the representation of Samsung in the merger agreement that as of the date of the merger agreement and as of the effective time of the merger, it had and will have sufficient available funds to consummate the merger, (2) the commitment of Samsung to use its reasonable best efforts to take certain actions (subject to agreed limitations) to obtain regulatory clearance for the consummation of the merger and (3) the fact that the Company conducted regulatory due diligence in connection with the domestic and foreign regulatory approvals that would be required for the merger, and determined that the Company and Samsung were likely to obtain such approvals in a timely manner.

Arm s-Length Terms and Other Factors Related to the Merger Agreement. The board s view that the merger agreement was the product of arm s-length negotiations and contained customary terms and conditions, and its consideration of a number of other factors pertaining to the merger agreement, including:

- the conditions to the consummation of the merger, including the requirement that the merger agreement be adopted by the Company s stockholders,
- the board s fiduciary out with respect to unsolicited third-party acquisition proposals reasonably expected to result in superior proposals, the board s ability to negotiate with another party regarding a superior proposal and, subject to paying a termination fee to Samsung in the amount of $240 million, accept a superior proposal,
- the board s belief that, if triggered, the termination fee payable by the Company to Samsung is consistent with fees payable in comparable transactions and would not be likely to preclude another party from making a competing proposal if that party was otherwise compelled to make a superior proposal,
- the Company s ability, under circumstances specified in the merger agreement, to seek specific performance of Samsung s, Samsung USA s and Merger Sub s obligation to close the merger if and when required to do so by the merger agreement and
- the scope of the representations, warranties and covenants being made by Samsung, Samsung USA and Merger Sub, including covenants with respect to their obligations to obtain required regulatory approvals.

Appraisal Rights. The board also considered the fact that holders of dissenting shares will be entitled to the payment of appraisal value of such dissenting shares in accordance with Section 262 of the DGCL, and that, if any such holder fails to perfect or otherwise waives or loses its rights to appraisal under Section 262 of the DGCL, then that holder s rights to be paid fair value for its dissenting shares will cease and will become rights solely to the merger consideration.

The board also considered various potentially countervailing factors in its deliberations related to the merger, including the following:

the fact that the holders of common stock will not have an opportunity to participate in any future earnings or growth of the combined company following the merger, as the merger consideration is all cash,

that the Company cannot solicit other acquisition proposals, and must pay Samsung a termination fee of $240 million if the merger agreement is terminated under certain circumstances, including if the board changes its recommendation to the Company s stockholders to adopt the merger agreement or exercises its right to enter into a transaction that constitutes a superior proposal, which may deter others from proposing an alternative transaction that may be more advantageous to the Company s stockholders than the merger,

the possible effects of the pendency (or termination) of the merger agreement on the Company s business, operating results, prospects, employees, customers, distributors and suppliers, which effects are likely to be exacerbated the longer the time period between the signing and any termination of the merger agreement,

Table of Contents

the possibility that the merger might not be completed as a result of, among other reasons, the failure of the Company s stockholders to adopt the merger agreement or the failure to secure required domestic and/or foreign regulatory approvals, and the effect the termination of the merger agreement may have on the trading price of the Company s common stock, its business, operating results and prospects, which effect is likely to be exacerbated the longer the time period between the signing and any termination of the merger agreement,

that the restrictions imposed by the merger agreement on the conduct of the Company s business prior to completion of the merger, generally requiring the Company to conduct its business in the ordinary course consistent with past practice and imposing additional specific restrictions, may delay, limit or prevent the Company from undertaking business opportunities that may arise during that period, which effect is likely to be exacerbated the longer the time period between the signing and any termination of the merger agreement,

the fact that the receipt of cash by stockholders in exchange for their shares of common stock pursuant to the merger will generally be a taxable transaction to Company stockholders for U.S. federal income tax purposes,

that the Company s directors and executive officers may have interests in the merger that are different from, or in addition to, those of the Company s stockholders (see the sections entitled *Interests of the Company s Directors and Executive Officers in the Merger* and *Quantification of Payments and Benefits to the Company s Named Executive Officers*),

the fact that the Company is subject to various remedies available to Samsung should it fail to complete the merger or breach the merger agreement and

that if Samsung fails to complete the merger as a result of a breach of the merger agreement, the Company s rights and remedies may be expensive and difficult to enforce through litigation, and the success of any such action may be uncertain.

The foregoing discussion of the information and factors considered by the board is not intended to be exhaustive, but includes the material factors considered by the board. The board did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. The board based its recommendation on the totality of the information it considered.

In considering the recommendation of the board with respect to the proposal to adopt the merger agreement, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, yours. The board was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by the stockholders of the Company. See the sections entitled *Interests of the Company s Directors and Executive Officers in the Merger* and *Quantification of Payments and Benefits to the Company s Named Executive Officers*.

Recommendation of the Company s Board of Directors

After careful consideration, the board unanimously approved the merger agreement and determined that the merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of the

Company and its stockholders.

The board unanimously recommends that the stockholders of the Company vote FOR the proposal to adopt the merger agreement. In addition, the board unanimously recommends that the stockholders of the Company vote FOR the advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger and FOR the adjournment proposal.

Table of Contents

Opinions of the Financial Advisors to the Company

Opinion of J.P. Morgan Securities LLC

Pursuant to an engagement letter dated November 9, 2016, the Company retained J.P. Morgan as its financial advisor in connection with the merger.

At the meeting of the board on November 13, 2016, J.P. Morgan rendered its oral opinion to the board that, as of such date and based upon and subject to the assumptions, procedures, matters and limitations set forth in its written opinion, the consideration to be paid to holders of the Company s common stock (other than the Company, Samsung, their respective wholly owned subsidiaries and holders who properly exercise and perfect appraisal rights under Delaware law) in the merger was fair, from a financial point of view, to such holders. J.P. Morgan has confirmed its November 13, 2016 oral opinion by delivering its written opinion to the board, dated November 14, 2016, that, as of such date, the consideration to be paid to holders of the Company s common stock (other than the Company, Samsung, their respective wholly owned subsidiaries and holders who properly exercise and perfect appraisal rights under Delaware law) in the merger was fair, from a financial point of view, to such holders.

The full text of the written opinion of J.P. Morgan dated November 14, 2016, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. The summary of the opinion of J.P. Morgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. The Company s stockholders are urged to read the opinion in its entirety. J.P. Morgan s written opinion was addressed to the board (in its capacity as such) in connection with and for the purposes of its evaluation of the merger, was directed only to the consideration to be paid in the merger and did not address any other aspect of the merger. J.P. Morgan expressed no opinion as to the fairness of the consideration to the holders of any other class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the merger. The issuance of J.P. Morgan s opinion was approved by a fairness committee of J.P. Morgan. The summary of the opinion of J.P. Morgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. The opinion of J.P. Morgan does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the merger or any other matter.

In arriving at its opinion, J.P. Morgan, among other things:

- reviewed the merger agreement,
- reviewed certain publicly available business and financial information concerning the Company and the industries in which it operates,
- compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration paid for such companies,

compared the financial and operating performance of the Company with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of the Company s common stock and certain publicly traded securities of such other companies,

reviewed certain internal financial analyses and forecasts, including the Projections (as defined in *Projected Financial Information*), prepared by or at the direction of the management of the Company relating to its business and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

Table of Contents

In addition, J.P. Morgan held discussions with certain members of the management of the Company with respect to certain aspects of the merger, and the past and current business operations of the Company, the financial condition and future prospects and operations of the Company, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by the Company or otherwise reviewed by or for J.P. Morgan. J.P. Morgan did not independently verify (and did not assume any obligation for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of the Company under any applicable laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. J.P. Morgan also assumed that the merger and the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement. J.P. Morgan also assumed that the representations and warranties made by the Company, Samsung, Samsung USA and Merger Sub in the merger agreement were and will be true and correct in all respects material to its analyses. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to the Company with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on the Company or on the contemplated benefits of the merger in any way meaningful to J.P. Morgan s analyses.

J.P. Morgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of such opinion. J.P. Morgan s opinion noted that subsequent developments may affect J.P. Morgan s opinion, and that J.P. Morgan does not have any obligation to update, revise, or reaffirm such opinion. J.P. Morgan s opinion is limited to the fairness, from a financial point of view, of the consideration to be paid to the holders of the Company s common stock in the merger, and J.P. Morgan has expressed no opinion as to the fairness of any consideration to the holders of any other class of securities, creditors or other constituencies of the Company or the underlying decision by the Company to engage in the merger. Furthermore, J.P. Morgan expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the merger, or any class of such persons relative to the consideration in the merger or with respect to the fairness of any such compensation. J.P. Morgan expressed no opinion as to the price at which the Company s common stock will trade at any future time.

The terms of the merger agreement were determined through arm s length negotiations between the Company and Samsung, and the Company s decision to enter into the merger agreement was solely that of the board. J.P. Morgan s opinion and financial analyses were only one of the many factors considered by the board in its evaluation of the merger and should not be viewed as determinative of the views of the board or the Company s management with respect to the merger or the consideration.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. J.P. Morgan was selected to advise the Company with respect to the merger on the basis of, among other things, such experience and its qualifications and reputation in connection with such matters and its familiarity with the Company and the industries in which it operates.

During the two years preceding the date of its opinion, J.P. Morgan and its affiliates have had commercial or investment banking relationships with the Company and Samsung, for which J.P. Morgan and its affiliates have

Table of Contents

received customary compensation. Such services during such period have included acting as joint lead arranger and joint bookrunner on the Company s syndicated facility in March 2015, as M&A financial advisor to the Company on the Company s acquisition of Symphony Teleca in April 2015, as joint bookrunner on offerings of debt securities by the Company in May 2015, as joint bookrunner on the initial public offering of Samsung SDS in October 2014, as joint global coordinator and joint bookrunner on the initial public offering of Cheil Industries in December 2014, as financial advisor to Samsung on Samsung s disposals of equity interests in Samsung Techwin and Samsung Chemicals in June 2015 and as joint bookrunner on the initial public offering of Samsung Biologics in October 2016. During such period, J.P. Morgan and its affiliates have also provided treasury services to the Company for customary compensation. In addition, J.P. Morgan s commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of the Company, for which it receives customary compensation or other financial benefits. J.P. Morgan and its affiliates hold, on a proprietary basis, less than 1% of the outstanding common stock of each of the Company and Samsung. During the two-year period preceding delivery of its opinion ending on November 14, 2016, the aggregate fees received by J.P. Morgan from the Company were approximately $11 million and the aggregate fees (including commissions from the initial public offerings described above) received by J.P. Morgan from Samsung and its affiliates were approximately $17 million. In the ordinary course of its business, J.P. Morgan and its affiliates may actively trade the debt and equity securities or financial instruments (including derivatives, bank loans or other obligations) of the Company or Samsung for its own account or for the accounts of customers, and, accordingly, it may at any time hold long or short positions in such securities or other financial instruments.

Opinion of Lazard Frères & Co. LLC

Lazard acted as the Company s financial advisor in connection with the merger. In connection with Lazard s engagement, the board requested that Lazard evaluate the fairness, from a financial point of view, to holders of the Company s common stock (other than the Company, Samsung, their respective wholly owned subsidiaries and holders who properly exercise and perfect appraisal rights under Delaware law) of the consideration to be paid to such holders. On November 13, 2016, at a meeting of the board, Lazard rendered to the board an oral opinion, which opinion was confirmed by delivery of a written opinion dated November 14, 2016, to the effect that, as of such date and based upon and subject to the assumptions, procedures, matters and limitations set forth therein, the consideration to be paid to holders of the Company s common stock (other than the Company, Samsung, their respective wholly owned subsidiaries and holders who properly exercise and perfect appraisal rights under Delaware law) in the merger was fair, from a financial point of view, to such holders.

The full text of Lazard s written opinion, dated November 14, 2016, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached to this proxy statement as Annex C and is incorporated into this proxy statement by reference. The description of Lazard s opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. We encourage you to read Lazard s opinion and this section carefully and in their entirety. Lazard provided its opinion for the information and assistance of the board in connection with its consideration of the merger. The Lazard opinion is not a recommendation as to how any holder of common stock should vote with respect to the proposal to adopt the merger agreement or any other matter.

In connection with its opinion, Lazard:

- reviewed the financial terms and conditions of the merger agreement,

reviewed certain publicly available historical business and financial information relating to the Company,

reviewed various financial forecasts, including the Projections, and other data provided to Lazard by the Company relating to the businesses of the Company, and extrapolations thereto prepared based on the guidance of management of the Company and approved for Lazard s use,

held discussions with members of the senior management of the Company with respect to the businesses and prospects of the Company,

Table of Contents

reviewed public information with respect to certain other companies in lines of business Lazard believed to be generally relevant in evaluating the businesses of the Company,

reviewed the financial terms of certain business combinations involving companies in lines of business Lazard believed to be generally relevant in evaluating the businesses of the Company,

reviewed historical stock prices and trading volumes of the Company s common stock and

conducted such other financial studies, analyses and investigations as Lazard deemed appropriate.

Lazard assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. Lazard did not conduct any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company or concerning the solvency or fair value of the Company, and Lazard was not furnished with any such valuation or appraisal. With respect to the financial forecasts utilized in Lazard s analyses, Lazard assumed, with the consent of the Company, that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments as to the future financial performance of the Company. Lazard assumed no responsibility for and expressed no view as to any such forecasts or the assumptions on which they were based.

Further, Lazard s opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Lazard assumed no responsibility for updating or revising its opinion based on circumstances or events occurring after the date thereof. Lazard expressed no opinion as to the price at which shares of the Company s common stock would trade at any time subsequent to the announcement of the merger. In connection with Lazard s engagement, it was not authorized to, and did not, solicit indications of interest from third parties regarding a potential transaction with the Company. In addition, Lazard s opinion did not address the relative merits of the merger as compared to any other transaction or business strategy in which the Company might engage or the merits of the underlying decision by the Company to engage in the merger.

In rendering its opinion, Lazard assumed, with the consent of the Company, that the merger will be consummated on the terms described in the merger agreement, without any waiver or modification of any material terms or conditions. Lazard also assumed, with the consent of the Company, that obtaining the necessary governmental, regulatory or third party approvals and consents for the merger will not have an adverse effect on the Company or the merger in any way meaningful to its analyses. Lazard did not express any opinion as to any tax or other consequences that might result from the merger, nor does its opinion address any legal, tax, regulatory or accounting matters, as to which Lazard understands that the Company obtained such advice as it deemed necessary from qualified professionals. Lazard expressed no view or opinion as to any terms or other aspects (other than the merger consideration to the extent expressly specified in its opinion) of the merger, including, without limitation, the form or structure of the merger or any agreements or arrangements entered into in connection with, or contemplated by, the merger. In addition, Lazard expressed no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the merger or their affiliates, or class of such persons, relative to the merger consideration or otherwise.

Lazard is an internationally recognized investment banking firm providing a full range of financial advisory and other services. Lazard was selected to act as financial advisor to the Company because of its qualifications, expertise and its reputation in investment banking and mergers and acquisitions, as well as its familiarity with the business of the Company, Samsung and certain of their respective affiliates. In addition, in the ordinary course, Lazard and its

affiliates and employees may trade securities of the Company, Samsung and certain of their respective affiliates for their own accounts and for the accounts of their customers, may at any time hold a long or short position in such securities, and may also trade and hold securities on behalf of the Company, Samsung and certain of their respective affiliates. During the two-year period preceding delivery of its opinion ending on November 14, 2016, the financial advisory business of Lazard and its affiliates did not provide services to or

Table of Contents

receive any fees or other compensation from the Company, Samsung or their respective affiliates (other than with respect to its engagement by the Company in connection with the merger). The issuance of Lazard s opinion was approved by the Opinion Committee of Lazard.

Lazard s opinion and financial analyses were not the only factors considered by the board in its evaluation of the merger and should not be viewed as determinative of the views of the board or the Company s management.

Summary of Joint Financial Analysis

The following is a summary of the material financial analyses jointly prepared by the Financial Advisors and used by the Financial Advisors in connection with providing their respective opinions. The Financial Advisors jointly prepared the following financial analyses for, and jointly presented such analyses to, the Company s board at its meeting on November 13, 2016, as further described in *Background of the Merger*. The Financial Advisors cooperated in the preparation of the following financial analyses and collaborated in making certain determinations underlying the following financial analyses, as further described below. However, each Financial Advisor ultimately exercised its independent professional judgment, and applied its own professional experience, in jointly preparing the following financial analyses, and separately performed the arithmetic calculations summarized below.

In preparing the following financial analyses (and delivering their respective fairness opinions to the Company s board), the Financial Advisors relied on the Management Projections (as defined in *Projected Financial Information Management Projections and Extrapolations*) without reference to, use of or reliance on the Sensitized Projections (as defined in *Projected Financial Information Management Projections and Extrapolations* and further described in *Projected Financial Information Sensitized Management Projections*).

The financial analyses summarized below include information presented in tabular format. The tables are not intended to stand alone, and, in order to more fully understand the financial analyses prepared and used by the Financial Advisors, the tables must be read together with the full text of each summary. Considering the data set forth herein without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses of each of the Financial Advisors.

The below summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by the Financial Advisors. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances, and is therefore not necessarily susceptible to partial analysis or summary description. In arriving at their respective opinions, each of the Financial Advisors did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its respective opinion. Rather, each of the Financial Advisors considered the totality of the factors and analyses performed in determining its respective opinion. Accordingly, each of the Financial Advisors believes that the below summary and its analyses must be considered as a whole, and that selecting portions of the below summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its respective opinion.

Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by each of the Financial Advisors are not, and do not purport to be, appraisals or otherwise reflective of the prices at which businesses could actually be bought or sold. The analyses necessarily involve complex considerations and judgments

concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to the Company and the transactions compared to the merger.

Table of Contents

The terms of the merger agreement, including the consideration for the merger, were determined through arm s length negotiations between the Company and Samsung, and the decision to enter into the merger agreement was solely that of the board. The Financial Advisors opinions and financial analyses were only one of the many factors considered by the board in its evaluation of the merger and should not be viewed as determinative of the views of the board or management with respect to the merger or the merger consideration.

Selected Comparable Companies Analysis. The Financial Advisors reviewed and analyzed certain financial information, valuation multiples and market trading data related to selected publicly traded companies whose business the Financial Advisors believed, based on their judgment and experience, to be similar to the Company s for purposes of these analyses. The companies jointly selected by the Financial Advisors for purposes of this analysis were as follows:

Autoliv, Inc.

BorgWarner Inc.

Continental AG

Delphi Automotive PLC

Visteon Corporation

Although none of the selected companies included in the analyses is identical or directly comparable to the Company, these companies were selected, among other reasons, because they are publicly traded companies with certain aspects or characteristics, such as operations, lines of business, business risks, alignment with industry trends and qualitative characteristics that, for purposes of the analysis by each of the Financial Advisors, were considered by the Financial Advisors, based on their respective professional judgments and experience, to be similar to those of the Company. However, certain of these companies may have characteristics that are materially different from those of the Company. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the selected companies differently than they would affect the Company.

Using publicly available information, each of the Financial Advisors calculated, for each selected company, the ratio of the company s firm value to the consensus equity research analyst estimate for the company s EBITDA for the year ending December 31, 2017 (the 2017E FV/EBITDA). As used in this analysis, firm value means the market value of the company s common stock, plus any debt, less cash and cash equivalents, adjusted for minority interest positions and equity interest positions, as appropriate, and EBITDA means net earnings (loss) before interest, tax and depreciation and amortization, adjusted for one-time items. EBITDA reflects the impact of share-based compensation expenses as non-cash expenses. The following table summarizes the results of this review:

Multiple of 2017E FV/EBITDA

Mean	Median
6.3x	6.0x

Based on the results of this analysis, the Financial Advisors jointly selected multiple reference ranges for 2017E FV/EBITDA of 5.5 7.5x for the Company. The range for the Company was then applied to the Company s estimated EBITDA for calendar year 2017 provided by the management of the Company to each of the Financial Advisors, yielding an implied equity value per share range for the Company s common stock of $61.25 to $87.50, rounded to the nearest $0.25 per share. Each of the Financial Advisors compared the implied per share equity value range for the Company to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Using publicly available information, each of the Financial Advisors also calculated, for each selected company, the ratio of its share price to estimated earnings per share, or EPS, for calendar year 2017 (the 2017E P/E). The following table summarizes the results of this review:

Multiple of 2017E P/E	
Mean	**Median**
11.6x	10.0x

Table of Contents

Based on the results of this analysis, the Financial Advisors jointly selected a 2017E P/E reference range of 10.0x to 14.0x for the Company. The range for the Company was then applied to the Company s estimated EPS for calendar year 2017 provided by the management of the Company to each of the Financial Advisors, yielding an implied equity value per share range for the Company s common stock of $69.75 to $97.50, rounded to the nearest $0.25 per share. Each of the Financial Advisors compared the implied per share equity value range to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Sum-of-the-Parts Analysis. A sum-of-the-parts analysis reviews a business operating performance and outlook on a segment-by-segment basis and compares each segment s performance to a group of publicly traded companies to determine an implied market value for the enterprise as a whole. Each of the Financial Advisors performed a sum-of-the-parts analysis for the following operating segments of the Company:

Connected Car

Car Audio

Connected Services

Consumer Audio

Professional Solutions

The following table indicates the companies reviewed by each of the Financial Advisors in each of these segments, which companies were jointly selected by the Financial Advisors for purposes of this analysis:

Connected Car/Car Audio	**Connected Services**	**Consumer Audio**	**Professional Solutions**
Autoliv, Inc.	Cognizant Technology Solutions Corporation	Apple Inc.	Barco NV
BorgWarner Inc.	EPAM Systems, Inc.	Bang & Olufsen a/s	Daktronics, Inc.
Continental AG	Luxoft Holding, Inc.	Logitech International S.A.	Dolby Laboratories
Delphi Automotive PLC	Persistent Systems Limited	Newell Brands Inc.	DTS, Inc.

Visteon Corporation Sony Corporation

Syntel, Inc. Pioneer Corporation

Yamaha Corporation

Virtusa Corporation Sony Corporation

Although none of the reviewed companies included in the analyses are identical or directly comparable to the Company s segments, these companies were selected, among other reasons, because they are publicly traded companies with operations and businesses that, for purposes of the analysis by each of the Financial Advisors, were considered by the Financial Advisors, based on their respective professional judgments and experience, to be similar to the relevant operating segments of the Company.

For each of these companies, each of the Financial Advisors calculated firm value as a multiple of projected 2017 EBITDA. The following table summarizes the results of this review:

	Multiple of 2017E FV/EBITDA	
	Mean	**Median**
Connected Car/Car Audio	6.3x	6.0x
Connected Services	9.5x	9.0x
Consumer Audio	8.8x	9.0x
Professional Solutions	8.3x	8.3x

Table of Contents

Based on the foregoing, and reflecting the judgment and experience of the Financial Advisors, the Financial Advisors jointly determined to apply EBITDA multiple ranges of 5.5x to 7.5x, 7.0x to 9.0x, 9.0x to 11.0x, 6.0x to 8.0x and 7.5x to 9.5x to the 2017 EBITDA forecast for the Company s Connected Car, Car Audio, Connected Services, Consumer Audio and Professional Solutions segments, respectively. Such forecasts were based on projections prepared by the Company s management and included corporate allocations to each segment. Based on this analysis, each of the Financial Advisors calculated an implied per share price range for the Company s common stock of $75.25 to $101.50, rounded to the nearest $0.25 per share. Each of the Financial Advisors compared the implied per share equity value range to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Selected Precedent Transaction Analysis. Using publicly available information, each of the Financial Advisors reviewed certain transactions, which were jointly selected by the Financial Advisors, involving acquired businesses and assets that, for purposes of the analysis by each of the Financial Advisors, were considered by the Financial Advisors, based on their respective professional judgments and experience, to be similar to the Company s businesses or assets for purposes of the analysis by each of the Financial Advisors. Specifically, each of the Financial Advisors reviewed the following transactions:

Month/Year Announced	**Acquiror**	**Target/Seller**
September 2016	Knorr-Bremse AG	Haldex AB
July 2015	Sensata Technologies Holding N.V.	Custom Sensors & Technologies, Inc. s sensing portfolio
July 2015	Delphi Automotive PLC	HellermannTyton Group PLC
July 2015	Magna International Inc.	Getrag Group of Companies
July 2015	BorgWarner Inc.	Remy International, Inc.
May 2015	NGK Spark Plug Co., Ltd.	UCI Holdings Limited s Wells Vehicle Electronics unit
January 2015	Bain Capital, LP	TI Automotive Ltd.
December 2015	Hahn & Company / Hankook Tire Co. Ltd.	Halla Visteon Climate Control Corp.
September 2014	ZF Friedrichshafen AG	TRW Automotive Holdings Corp.
August 2014	Sensata Technologies Holding N.V.	Schrader Electronics Ltd
April 2014	The Blackstone Group L.P.	The Gates Corporation
September 2013	Koch Industries, Inc.	Molex Incorporated
July 2013	Gentex Corporation	Johnson Controls, Inc. s HomeLink Product Line
August 2012	The Carlyle Group L.P.	E. I. du Pont de Nemours and Company s DuPont Performance Coatings unit
May 2012	Delphi Automotive PLC	FCI Group s Motorized Vehicle Division
March 2012	Madison Dearborn Partners, LLC	Pinafore Holdings B.V. s Schrader division
December 2010	BorgWarner Inc.	Haldex AB s Haldex Traction AB division
July 2010	Onex Corp / Canada Pension Plan Investment Board	Tomkins plc

None of the selected transactions reviewed was identical to the merger. However, the transactions selected were chosen because certain aspects of the transactions, for purposes of the analysis by each of the Financial Advisors, were

considered by the Financial Advisors, based on their respective professional judgments and experience, to be similar to the merger. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the transactions differently than they would affect the merger.

Using publicly available information, each of the Financial Advisors calculated, for each selected transaction, the ratio of the transaction s implied firm value to the target company s EBITDA for the 12-month period prior to the announcement of the merger (FV/LTM EBITDA). The following table represents the results of this analysis:

	Multiple of FV/LTM EBITDA	
Precedent Transactions	**Mean**	**Median**
FV/EBITDA	9.3x	9.3x

Table of Contents

Based on the results of this analysis, the Financial Advisors jointly selected FV/LTM EBITDA multiples of 9.0x and 11.0x and applied them to the EBITDA of the Company for the 12 months ended September 30, 2016. This analysis indicated an implied per share price range for the Company s common stock of $97.25 to $121.50, rounded to the nearest $0.25 per share. Each of the Financial Advisors compared the implied per share equity value range to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Discounted Cash Flow Analysis. Each of the Financial Advisors conducted a discounted cash flow analysis for the purpose of determining an implied fully diluted equity value per share of the Company s common stock. A discounted cash flow analysis is a methodology used to derive a valuation of an asset by calculating the present value of estimated unlevered future cash flows of the asset. Present value refers to the current value of the cash flows generated by the asset, and is obtained by discounting those cash flows back to the present using a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital and other appropriate factors. The unlevered free cash flows refers to a calculation of the future cash flows generated by an asset without including in such calculation any debt servicing costs. Specifically, unlevered free cash flow for this purpose represents EBITDA less taxes, capital expenditures, increases in net working capital and certain other cash expenses, as applicable. Unlevered free cash flow reflects the impact of share-based compensation expenses as non-cash expenses. Terminal value refers to the present value of all future cash flows generated by the asset for periods beyond the projections period.

Each of the Financial Advisors calculated the unlevered free cash flows that the Company is expected to generate during fiscal years 2017 through 2026 based upon the Management Projections and the Extrapolations prepared by or at the direction of the management of the Company, as further described in the section entitled *Projected Financial Information*. The Financial Advisors then jointly estimated a range of terminal values of the Company at the end of the ten-year period ending 2026 by applying a perpetual growth rate ranging from 1.5% to 2.5% to the unlevered free cash flow of the Company for the terminal year of the projections. The unlevered free cash flows and the range of terminal values were then discounted to present values as of September 30, 2016 using a range of discount rates from 9.5% to 10.5%, which range was jointly selected by the Financial Advisors based upon each of the Financial Advisors independent analysis of the capital structures and costs of equity and debt of the Company and publicly traded companies that may be considered similar to the Company.

Based on the foregoing, this analysis indicated an implied per share price range for the Company s common stock of $104.00 to $129.25 per share, rounded to the nearest $0.25 per share. Each of the Financial Advisors compared the implied per share equity value range to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Compensation of the Financial Advisors to the Company

For services rendered in connection with the merger, the Company has agreed to pay J.P. Morgan an aggregate fee of approximately $31 million (based on information available as of November 14, 2016), $3 million of which was payable upon the delivery of J.P. Morgan s fairness opinion to the board and $2 million of which was payable upon the public announcement of the merger, with both such fees credited against any transaction fee, and the remainder of which is a transaction fee that is contingent upon the consummation of the merger. In addition, the Company has agreed to reimburse J.P. Morgan for its reasonable expenses incurred in connection with its services, including reasonable fees and disbursements of counsel, and will indemnify J.P. Morgan against certain liabilities, including liabilities under the federal securities laws, arising out of its engagement.

For acting as financial advisor to the Company in connection with the merger, the Company has agreed to pay Lazard an aggregate fee for such services in the amount of approximately $25 million (based on information available as of November 14, 2016), $3 million of which was payable upon the delivery of Lazard s fairness opinion to the board and $2 million of which was payable upon the public announcement of the merger, with both such fees credited against any transaction fee, and the remainder of which is a transaction fee that is contingent upon the consummation of the merger. The Company has also agreed to reimburse Lazard for its reasonable expenses, including the expenses of legal counsel, and to indemnify Lazard and related parties against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Table of Contents

Certain Additional Financial Analyses of the Financial Advisors

In addition to the analyses described in *Opinions of the Financial Advisors to the Company Summary of Joint Financial Analysis*, the Financial Advisors also jointly prepared for, and discussed with, the board the following analyses, which in each case were prepared and presented for reference purposes only.

Historical Trading Range. The Financial Advisors presented to the board the 52-week trading range of closing prices of the Company s common stock as of November 11, 2016, which was $66.22 to $104.23. The Financial Advisors compared that trading range to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Research Analysts Price Targets. The Financial Advisors also reviewed with the board certain price targets of certain equity research analysts that follow the Company and noted that the range of such price targets was $60.00 to $113.00. The Financial Advisors compared the range of price targets to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Discounted Cash Flow Analysis Illustrative Sensitivity Case. The Financial Advisors also performed a discounted cash flow analysis using the Sensitized Projections (as defined in *Projected Financial Information Management Projections and Extrapolations* and further described in *Projected Financial Information Sensitized Management Projections*) and otherwise following the same methodology set forth in *Opinions of the Financial Advisors to the Company Summary of Joint Financial Analysis Discounted Cash Flow Analysis.* Based on this analysis, the Financial Advisors estimated an implied per share price range for the Company s common stock of $89.50 to $111.00, rounded to the nearest $0.25 per share. The Financial Advisors compared the range of implied per share equity value to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Illustrative Present Value of Future Share Price Analysis. The Financial Advisors performed an illustrative analysis of the implied present value of the future value per share of the Company s common stock, which is designed to provide an indication of the present value of a theoretical future value of a company s equity as a function of that company s estimated future EBITDA and its assumed multiple of firm value over EBITDA (FV/EBITDA). As used in this analysis, firm value means the market value of the Company s common stock, plus any debt, less cash and cash equivalents, adjusted for minority interest positions and equity interest positions, as appropriate. For the Company, the Financial Advisors assumed, at the direction of the management of the Company, that shares of the Company s common stock outstanding would grow by 900,000 annually. For this analysis, the Financial Advisors used the Management Projections to calculate the implied future values per share of the Company s common stock by applying illustrative next-12-month FV/EBITDA multiples of 6.9x to 7.9x to fiscal year 2021 estimates for the Company s EBITDA (as reflected in the Management Projections), and then discounting to present values using a cost of equity of 11.3% (reflecting an estimate of the Company s cost of equity by the Financial Advisors) the sum of (1) the implied future values per share of the Company s common stock and (2) per share cash dividends forecasted by the management of the Company. This analysis indicated an implied per share price range for the Company s common stock of $109.50 to $124.00 per share, rounded to the nearest $0.25 per share. The Financial Advisors compared the range of implied per share equity value to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Illustrative Present Value of Future Share Price Analysis Sensitivity Case. In addition, the Financial Advisors also performed an illustrative present value of future share price analysis using the Sensitized Projections (and otherwise following the same methodology described in the immediately preceding paragraph). Based on this analysis, the Financial Advisors estimated an implied per share price range for the Company s common stock of $96.00 to $108.75,

rounded to the nearest $0.25 per share. The Financial Advisors compared the range of implied per share equity value to the Company s closing price per share of $87.65 on November 11, 2016 and the merger consideration of $112.00 per share.

Table of Contents

Projected Financial Information

Management Projections and Extrapolations

The Company does not as a matter of course make public long-term projections as to future performance or earnings due to, among other reasons, the unpredictability of the underlying assumptions and estimates and the inherent unreliability of such projections, though the Company has in the past provided investors with public full-fiscal-year financial guidance covering items such as revenue, EBITDA and adjusted diluted earnings per share, among other items, which it may update from time to time during the relevant fiscal year. However, financial forecasts for the Company s fiscal years 2017, 2018, 2019, 2020 and 2021 prepared by the Company s management (the Management Projections) were made available to Samsung as well as to the board and the Financial Advisors, and, in connection with their financial analyses, the Financial Advisors calculated and presented to the board certain extrapolations of the financial forecasts for the Company s fiscal years 2022, 2023, 2024, 2025 and 2026 (the Extrapolations) based on certain assumptions and direction provided by the Company s management, but the Extrapolations were not provided to Samsung or its representatives.

The Management Projections were prepared based on assumptions reflecting the best currently available estimates of and judgments by the Company s management at the time the Management Projections were prepared as to the expected future results of operations and financial condition of the Company. However, the Company s management determined, taking into account the perspectives of the Financial Advisors, that based on various economic and technological trends and developments in the industries in which the Company competes, including with respect to industry cyclicality, technological disruption, execution risks and risks associated with new industry participants, that there existed downside risk that was not reflected in the Management Projections sufficient to warrant the preparation and presentation of additional financial analyses reflecting such risks. In order to assist the board with its assessment of these potential downside risks that could arise from reasonable deviations in the assumptions underlying the Management Projections, the Financial Advisors, based on certain assumptions and direction provided by the Company s management, prepared for the board certain adjusted projections described under *Sensitized Management Projections* below (the Sensitized Projections), which were not provided to Samsung or its representatives. The Management Projections, the Sensitized Projections and the Extrapolations are collectively referred to herein as the Projections.

We have included a summary of the Projections below to give our stockholders access to certain non-public information provided to Samsung and our Financial Advisors, as applicable, for purposes of considering and evaluating the merger. The inclusion of the Projections should not be regarded as an indication that the board, the Company, Samsung, Samsung USA, Merger Sub, J.P. Morgan, Lazard or any other recipient of any of this information considered, or now considers, it to be an assurance of the achievement of future results.

The Company advised the recipients of the Projections that the Company s internal financial forecasts upon which the Projections were based are subjective in many respects. The Projections reflect numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are difficult to predict, subject to significant economic and competitive uncertainties and beyond the Company s control. As a result, there can be no assurance that any of the Projections will be realized or that actual results will not be significantly higher or lower than projected. The Projections were prepared for internal use and to assist Samsung and our Financial Advisors with their respective due diligence investigations of the Company or to assist the board in its review and analysis of the proposed merger, as applicable. The Projections were not prepared with a view toward public disclosure or toward compliance with U.S. generally accepted accounting principles (GAAP), published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. KPMG LLP, the Company s independent registered

public accounting firm, has neither examined, compiled nor performed any procedures with respect to the Projections, and accordingly, KPMG LLP does not express an opinion or any other form of assurance with respect thereto. The KPMG LLP report incorporated by reference in this proxy statement relates to the Company s historical financial information. It does not extend to the Projections and should not be read to do so.

Table of Contents

Financial forecasts of this type are based on estimates and assumptions that are inherently subject to factors such as industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to the business, financial condition or results of operations of the Company, including the factors described under *Cautionary Statement Concerning Forward-Looking Statements*, which factors may cause the Projections or the underlying assumptions to be inaccurate. The Projections cover multiple years and such information by its nature becomes more uncertain with each successive year. The Projections do not take into account any circumstances or events occurring after the date they were prepared.

Certain of the measures included in the Projections are non-GAAP financial measures, as further noted below. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used by the Company may not be comparable to similarly titled amounts used by other companies.

The following is a summary of the Management Projections and the Extrapolations:

Summary of the Management Projections and the Extrapolations *(dollars in millions)*

	Management Projections[1] Fiscal Year					Extrapolations[2] Fiscal Year				
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Revenue	$ 7,400	$ 7,672	$ 8,597	$ 9,893	$ 11,245	$ 12,145	$ 12,934	$ 13,581	$ 14,056	$ 14,338
EBITDA[3]	920	971	1,158	1,389	1,618	1,718	1,799	1,856	1,887	1,890
EBIT[4]	680	744	921	1,136	1,353	1,423	1,474	1,503	1,509	1,491
EBIAT[5]	491	532	654	801	947	982	1,002	1,007	996	969
Depreciation and amortization	180	192	203	218	230	260	290	318	343	364
Capital expenditures	(220)	(233)	(249)	(275)	(300)	(324)	(345)	(362)	(375)	(383)
Unlevered free cash flow[6]	358	445	500	597	717	828	868	898	916	922

(1) The Management Projections were made available to Samsung and the Financial Advisors in October 2016.

(2) The Extrapolations were prepared by the Financial Advisors in October 2016 based on the Management Projections and certain assumptions and direction provided by the Company s management relating to growth in net sales, EBITDA margin, depreciation and amortization, marginal tax rates, capital expenditures and working capital levels for fiscal years 2022 through 2026. The Extrapolations were not provided to Samsung or its representatives.

(3) EBITDA is defined for purposes of the Projections as net income before interest and other non-operating expense, income tax expense, depreciation and amortization, certain restructuring and related expenses, and certain expenses related to acquisitions and divestitures. EBITDA reflects the impact of share-based compensation expenses as non-cash expenses. EBITDA is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flow or as a measure of liquidity.

(4) EBIT is defined for purposes of the Projections as EBITDA less depreciation and amortization, certain restructuring expenses and bank and other recurring professional fees. EBIT is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flow or as a measure of liquidity.

(5) EBIAT is defined for purposes of the Projections as EBIT less income tax expense. EBIAT is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flow or as a measure of liquidity.

(6) Unlevered free cash flow is defined for purposes of the Projections as EBITDA less certain non-operating expenses, income tax expense, capital expenditures, certain restructuring and related expenses and changes in net working capital. Unlevered free cash flow reflects the impact of share-based compensation expenses

Table of Contents

as non-cash expenses. Unlevered free cash flow is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flow or as a measure of liquidity.

Sensitized Management Projections

In order to assist the board with its assessment of potential downside risks that could arise from reasonable deviations in the assumptions underlying the Management Projections, the Financial Advisors, based on certain assumptions and direction provided by the Company s management, prepared for the board, for reference purposes only and taking into account the views of management and the board as to certain potential risks and uncertainties inherent in the Management Projections, including with respect to industry cyclicality, technological disruption, execution risks and risks associated with new industry participants, the Sensitized Projections, which were based on the Management Projections but assumed that the projected revenue growth reflected in the Management Projections during fiscal years 2018 through 2021 was 25% lower than the amount reflected in the Management Projections in each of those fiscal years and that the incremental EBITDA margin expansion reflected in the Management Projections during fiscal years 2018 through 2021 was also 25% less during each of those fiscal years. The Company s senior management and representatives of the Financial Advisors also discussed potential opportunities for and the likelihood of the Company exceeding the financial performance reflected in the Management Projections, and the Company s senior management determined, taking into account the perspectives of the Financial Advisors, that the Management Projections currently reflected more downside risk as described above than likely upside potential and that, accordingly, no further modifications to the Management Projections were necessary or appropriate. The Sensitized Projections were provided to the board in connection with its evaluation of the proposed merger but were not provided to Samsung or its representatives.

The following is a summary of the Sensitized Projections.

Summary of the Sensitized Projections

(dollars in millions)

	Fiscal Year									
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Revenue	$ 7,400	$ 7,604	$ 8,291	$ 9,229	$ 10,175	$ 10,989	$ 11,704	$ 12,289	$ 12,719	$ 12,973
EBITDA[(1)]	920	958	1,096	1,259	1,415	1,507	1,584	1,640	1,674	1,684

(1) EBITDA is defined for purposes of the Projections as net income before interest and other non-operating expense, income tax expense, depreciation and amortization, certain restructuring and related expenses, and certain expenses related to acquisitions and divestitures. EBITDA is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flow or as a measure of liquidity.

Readers of this proxy statement are cautioned not to place undue reliance on any of the Projections set forth above. No one has made or makes any representation to any stockholder regarding the information included in the Projections.

For the foregoing reasons, as well as the basis and assumptions on which the Projections were compiled, the inclusion of specific portions of the Projections in this proxy statement should not be regarded as an indication that such Projections will be an accurate prediction of future events, and they should not be relied on as such. Except as

required by applicable securities laws, the Company does not intend to update or otherwise revise the Projections or any specific portions presented herein to reflect circumstances existing after the date such Projections were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

Funding of the Merger Consideration

The Company and Samsung estimate that the total amount of funds required to complete the merger and related transactions (excluding advisory fees and expenses) will be approximately $8.02 billion. Samsung has informed the Company that it intends to fund this amount via cash on hand.

Table of Contents

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendation of the board in favor of the adoption of the merger agreement by the Company s stockholders, you should be aware that aside from their interests as stockholders of the Company, the Company s directors and executive officers have interests in the merger that are different from, or in addition to, those of other stockholders of the Company generally. Members of the board were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that our stockholders adopt the merger agreement. See the sections entitled *Background of the Merger* and *Reasons for the Merger*. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

Treatment of Company Equity Awards

Options and Stock Appreciation Rights. At the effective time, each option to purchase a share of the Company s common stock and each stock appreciation right in respect of the Company s common stock that, in each case, is outstanding and unexercised as of the effective time (whether vested or unvested) will become fully vested (to the extent not vested) and be converted into the right to receive an amount in cash equal to the merger consideration of $112.00 with respect to each share of Company common stock underlying such award, net of the exercise price per share of such option or stock appreciation right, as applicable, and less any applicable tax withholding. Any option or stock appreciation right that has an exercise price that equals or exceeds the merger consideration will be cancelled without consideration.

Restricted Stock Units. At the effective time, each outstanding award of restricted stock units in respect of the Company s common stock (1) that vests solely based on the passage of time will become fully earned and vested with respect to the maximum number of shares of Company common stock underlying such restricted stock unit award and (2) that vests in whole or in part based on performance conditions and for which the applicable performance period is not complete as of immediately prior to the effective time will vest to the extent provided for in the award agreement applicable to such restricted stock unit award (with any portion of such performance-based restricted stock unit award that remains unvested at the effective time being cancelled without consideration). Each such restricted stock unit award so vested will be converted into the right to receive an amount in cash equal to the merger consideration of $112.00 with respect to each share of Company common stock underlying such restricted stock unit award, plus any accrued but unpaid dividend equivalents relating to such restricted stock unit award and less any applicable tax withholding. In general, the award agreements applicable to restricted stock unit awards that vest in whole or in part based on performance conditions provide that, upon a change in control prior to the completion of the applicable performance period, 60% of the maximum number of units underlying the award plus a prorated portion of the remaining 40% of the maximum number of units underlying the award (computed based on the number of days elapsed in the applicable performance period through the date of the change in control) will become vested as of the occurrence of the change in control (with any remaining units forfeited).

Quantification of Payments. For an estimate of the amounts that would be payable to each of the Company s named executive officers on settlement of their unvested Company equity awards, see *Quantification of Payments and Benefits to the Company s Named Executive Officers* below. The estimated aggregate amount that would be payable to the Company s seven executive officers who are not named executive officers in settlement of their unvested equity-based awards if the effective time occurred on December 31, 2016 is $20,892,488. We estimate that the aggregate amount that would be payable to the Company s ten non-employee directors for their unvested Company equity awards if the effective time occurred on December 31, 2016 is $3,745,552.

Existing Severance Agreements with Dinesh C. Paliwal and Herbert K. Parker

Dinesh C. Paliwal, the Company s Chairman, President and Chief Executive Officer, and Herbert K. Parker, the Company s Executive Vice President, Operational Excellence, are each party to a severance agreement with the Company, which provides for enhanced severance benefits in the event that the executive officer s employment is terminated by the Company without cause (and not due to disability) or the executive officer terminates his

Table of Contents

employment upon the occurrence of certain specified circumstances, in each case, within six months prior to or two years following a change in control and, in the case of Mr. Paliwal, for any reason in the 13th month following a change in control (each of which we refer to as a qualifying termination for Messrs. Paliwal and Parker, respectively). The merger will constitute a change in control for purposes of these severance agreements.

The severance agreements provide that, in the event of a qualifying termination, the executive officer will be entitled to:

- a lump sum cash payment in an amount equal to two (three, in the case of Mr. Paliwal) times the sum of (1) the executive officer s base pay at the highest rate in effect for any period prior to the qualifying termination plus (2) the highest incentive pay earned in any of the three fiscal years immediately preceding the year in which the change in control occurs (but, in the case of Mr. Paliwal, in no event less than Mr. Paliwal s target bonus),

- continued health and welfare benefits for a period of 18 months following the executive officer s qualifying termination,

- outplacement services for a period of one year following the qualifying termination in an amount not to exceed (1) 20% of the executive officer s base pay, in the case of Mr. Paliwal, or (2) $50,000, in the case of Mr. Parker and

- in the case of Mr. Paliwal, a lump sum cash payment in the amount of $30,000 (representing the cost of welfare benefits for two years, less those provided in-kind), grossed-up for taxes.

The severance agreements for Messrs. Paliwal and Parker also provide that, if any payments or benefits payable or provided to the executive officer would be subject to an excise tax under Section 4999 of the Code, the executive officer will be entitled to an additional payment such that the executive officer would be in the same after-tax position as though the excise tax did not apply. The severance agreements further provide that the Company will pay the legal expenses associated with any action brought in good faith by the executive officers, and any action brought by the Company against the executive officers, to declare the severance agreements void or unenforceable, or to deny or recover from the executive officers the benefits provided under the severance agreements. Messrs. Paliwal and Parker are also subject to a confidentiality covenant and one-year post-termination of employment non-competition and non-solicitation covenants in favor of the Company pursuant to separate agreements that they have each entered into with the Company.

In addition, pursuant to his original 2007 offer letter with the Company, if Mr. Paliwal is terminated by the Company without cause, he resigns with good reason, or he dies or becomes disabled, he will be entitled to receive a benefit under the Supplemental Executive Retirement Plan based on his average compensation during the three consecutive calendar years in which his compensation was the highest (rather than based on his average compensation during the five consecutive calendar years in which his compensation was highest, as generally provided under the plan).

As discussed more fully below, Merger Sub has entered into a new offer letter and severance agreement with Mr. Paliwal that supersede his original offer letter and existing severance agreement. See *Samsung Agreements with Dinesh C. Paliwal* below.

For an estimate of the value of the payments and benefits described above that would be payable to Mr. Paliwal under his severance agreement upon a qualifying termination in connection with the merger and an estimate of the benefit enhancement to which Mr. Paliwal would be entitled under the Supplemental Executive Retirement Plan upon a termination of employment described above in connection with the merger, see *Quantification of Payments and Benefits to the Company s Named Executive Officers* below. The estimated aggregate amount that would be payable to Mr. Parker under his severance agreement if the merger were to be completed and he were to experience a qualifying termination on December 31, 2016 is $3,084,000.

Existing Severance Agreements with Other Executive Officers

Each of the Company s executive officers other than Messrs. Paliwal and Parker is party to a severance agreement with the Company, which provides for enhanced severance benefits in the event that the executive

Table of Contents

officer s employment is terminated by the Company without cause (and not due to disability) or the executive officer resigns with good reason, in each case, within 24 months following a change in control (each of which we refer to as a qualifying termination for such executive officer). The merger will constitute a change in control for purposes of the severance agreements.

Each severance agreement provides that, in the event of a qualifying termination, the executive officer will be entitled to:

- a lump sum cash payment in an amount equal to two times the sum of the executive officer s base salary and target annual bonus,
- a pro rata target annual bonus for the year in which the qualifying termination occurs,
- continued health and welfare benefits for a period of 18 months following the executive officer s qualifying termination and
- outplacement services for a period of one year following the qualifying termination in an amount not to exceed $50,000.

Payments under the severance agreement are conditioned upon the executive officer executing a general release in favor of the Company. In addition, pursuant to the severance agreement, any payments or benefits payable to the executive officer will be reduced to the extent that such payments or benefits would result in the imposition of excise taxes under Section 4999 of the Code, but only to the extent such reduction would result in an increase in the aggregate payments and benefits provided to the executive officer, determined on an after-tax basis. The severance agreements also contain a confidentiality covenant and one-year post-termination of employment non-competition and non-solicitation covenants in favor of the Company.

As discussed more fully below, Merger Sub has entered into new agreements with each of Ms. Rowland and Messrs. Eyler, Mauser and Slump that supersede the existing severance agreement. See *Samsung Agreements with Certain Other Executive Officers* below.

For an estimate of the value of the payments and benefits described above that would be payable to the Company s named executive officers under their severance agreement upon a qualifying termination in connection with the merger, see *Quantification of Payments and Benefits to the Company s Named Executive Officers* below. The estimated aggregate amount that would be payable to the Company s seven executive officers who are not named executive officers under their severance agreements if the merger were to be completed and they were to experience a qualifying termination on December 31, 2016 is $15,300,000.

Samsung Agreements with Dinesh C. Paliwal

In connection with the Company s entry into the merger agreement, Mr. Paliwal entered into an offer letter and severance agreement with Merger Sub, in each case, to be effective as of the effective time.

The offer letter provides for (1) an annual base salary of $1,266,198, (2) a threshold, target and maximum annual bonus opportunity of 100% of base salary, 200% of base salary and 300% of base salary, respectively, (3) a cash retention award of $21,961,769, which will vest with respect to 2/9ths of the total retention award on the date that is six months following the closing date, with respect to 2/9ths of the total retention award on the first anniversary of the closing date, with respect to 2/9ths of the total retention award on the second anniversary of the closing date, and with respect to 1/3rd of the total retention award on the third anniversary of the closing date and (4) a long-term unit incentive program award of no less than $21,000,000 (at target), comprised (at target) of 60% performance-based units that vest on the third anniversary of the closing date based on the level of achievement of performance targets during the applicable performance period and 40% time-based units that vest in equal installments on each of the first three anniversaries of the closing, subject, in each case, to continued employment. If, however, Mr. Paliwal is terminated without cause, dies or becomes disabled, or resigns with good reason, in each case, prior to the third anniversary of the closing of the merger, he (or his estate) will be

Table of Contents

entitled to accelerated vesting of his time-based long-term incentive units and the amount in respect of performance-based long-term incentive units to which he would have been entitled based on actual performance if his employment had not terminated.

The offer letter also provides that Mr. Paliwal s entitlement to Supplemental Executive Retirement Plan benefits (described below) will continue as in effect prior to the closing of the merger, except that upon Mr. Paliwal s death or disability, he (or his estate) will be entitled to receive the greater of the normal benefit under the Supplemental Executive Retirement Plan and the benefit he would have received if the date of his death or disability was his retirement date. In addition, the offer letter specifies that upon any termination of employment after the closing date, he will be entitled to receive a benefit under the Supplemental Executive Retirement Plan based on his average compensation during the three consecutive calendar years in which his compensation was the highest (which, as described above under *Existing Severance Agreements with Dinesh C. Paliwal and Herbert K. Parker*, was the formula that applied in the event of certain terminations of employment under his 2007 offer letter with the Company), and that the benefit will be determined without any reduction related to the starting date. The offer letter also provides that, during his employment, Mr. Paliwal will continue to be provided with a company car and reimbursed for private plane or first-class airline travel, as determined in his judgment, in connection with business trips, based on past practice, with the annual cost not to exceed $2,000,000.

The severance agreement with Mr. Paliwal provides that, in the event of a qualifying termination (as described above in *Existing Severance Agreements with Dinesh C. Paliwal and Herbert K. Parker*), he will be entitled to receive the same payments and benefits he would be entitled to receive under his existing severance agreement with the Company. In addition, if he is terminated by the Company without cause or he resigns with good reason, in each case, other than during the period that is six months prior to or the two years following a change in control of the Company (other than the merger), he will be entitled to receive the same payments and benefits that he was entitled to receive under his existing offer letter with the Company, i.e., (1) a pro rata bonus for the year in which his termination of employment occurs based on actual performance (but with a 100% individual factor, to the extent applicable), (2) any unpaid annual bonus for a year prior to the year in which the termination of employment occurs based on actual performance (but with a 100% individual factor if bonuses for such year have not been determined) and (3) a severance payment equal to two times the sum of his base salary and target annual bonus.

Under his severance agreement, Mr. Paliwal has agreed that the Company s ceasing to be a public company and the reporting structure as set forth in the offer letter will not constitute good reason for purposes of the severance agreement. In addition, Mr. Paliwal has also waived his right to resign for any reason in the 13th month following the merger and receive severance.

Payments under the severance agreement are conditioned upon Mr. Paliwal executing a general release in favor of the Company. The severance agreement for Mr. Paliwal also retains the Section 4999 excise tax gross-up provision included in his existing severance agreement with the Company as to both the merger and future changes in control. Following the closing, Mr. Paliwal will continue to be subject to a confidentiality covenant and one-year post-termination of employment non-competition and non-solicitation covenants in favor of the Company pursuant to separate agreements that he has entered into with the Company.

Samsung Agreements with Certain Other Executive Officers

Each of Sandra E. Rowland, the Company s Executive Vice President and Chief Financial Officer, Phillip Eyler, the Company s Executive Vice President and President, Connected Car Division, David Slump, Executive Vice President, Operations, John Stacey, the Company s Executive Vice President and Chief Human Resources Officer, Mohit Parasher, the Company s Executive Vice President and President, Professional Solutions Division, and Ralph Santana,

the Company s Executive Vice President and Chief Marketing Officer, has entered into an offer letter and severance agreement with Merger Sub, and Michael Mauser, the Company s Executive Vice President and President, Lifestyle Audio Division, has entered into a managing director employment agreement and severance agreement with Merger Sub, in all cases, to be effective as of the effective time.

Table of Contents

The offer letters with Ms. Rowland and Messrs. Eyler, Slump, Stacey, Parasher and Santana and the managing director employment agreement with Mr. Mauser generally provide for (1) a base salary that may be increased (but not decreased) ($675,000, in the case of Ms. Rowland; $575,000, in the case of Mr. Eyler; 454,546, in the case of Mr. Mauser; $500,000, in the case of Mr. Slump; $515,000, in the case of Mr. Stacey; and $475,000, in the case of each of Messrs. Parasher and Santana), (2) a target and maximum annual bonus opportunity, expressed as a percentage of base salary (100% and 200%, in the case of each of Ms. Rowland and Messrs. Eyler and Mauser, and 80% and 160% in the case of each of Messrs. Slump, Stacey, Parasher and Santana), (3) a cash retention award ($4,050,000, in the case of Ms. Rowland; $3,450,000, in the case of Mr. Eyler; 2,727,276, in the case of Mr. Mauser; $2,700,000, in the case of Mr. Slump; $2,781,000, in the case of Mr. Stacey; and $2,565,000, in the case of each of Messrs. Parasher and Santana), which will vest 26% on the first anniversary of the closing, 26% on the second anniversary of the closing and 48% on the third anniversary of the closing, subject to continued employment and to accelerated vesting upon a termination of employment without cause, with good reason, or due to death or disability, and (4) a long-term unit incentive program award (having a fair market value at target of $6,000,000 and at maximum of $9,600,000, in the case of Ms. Rowland; at target of $5,400,000 and at maximum of $8,640,000, in the case of Mr. Eyler; at target of $5,400,000 and at maximum of $8,640,000, in the case of Mr. Mauser; at target of $2,550,000 and at maximum of $4,080,000, in the case of each of Messrs. Slump and Santana; and at target of $2,700,000 and at maximum of $4,320,000, in the case of each of Messrs. Stacey and Parasher), comprised (at target) of 60% performance-based units that vest based on the level of achievement of performance targets during the applicable performance period and 40% time-based units that vest in equal installments on each of the first three anniversaries of the closing, subject, in each case, to continued employment. If, however, the applicable executive officer resigns with good reason prior to the third anniversary of the closing of the merger, he or she will be entitled to receive (a) accelerated vesting of the time-based long-term incentive units that would have vested in the next 12 months and (b) if such resignation occurs during the 12 months preceding the end of the applicable performance period, the amount in respect of performance-based long-term incentive units to which he or she would have been entitled based on actual performance if his or her employment had not terminated. In addition, if the applicable executive officer is terminated without cause or dies or becomes disabled prior to the third anniversary of the closing of the merger, the executive officer (or his or her estate) will be entitled to accelerated vesting of the executive officer s time-based long-term incentive units and the amount in respect of performance-based long-term incentive units to which the executive officer would have been entitled based on actual performance if the executive officer s employment had not terminated.

The other terms of Mr. Mauser s managing director employment agreement are generally consistent with his managing director employment agreement with a subsidiary of the Company, which is filed as Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the SEC on October 29, 2015, and incorporated herein by reference.

The severance agreement with each of Ms. Rowland and Messrs. Eyler, Mauser, Slump, Stacey, Parasher and Santana has an initial term of three years following the closing date, subject to annual one-year renewals thereafter. Under the severance agreement, if the executive officer is terminated by the Company without cause and not due to disability, or he or she resigns with good reason, the executive officer will be entitled to receive: (1) one (two, in the case of a termination within the two years following a change in control of the Company (other than the merger)) times the sum of his or her annual base salary and target annual bonus, (2) a prorated bonus for the fiscal year in which the termination of employment occurs, payable based on actual performance (or, on target performance, in the case of a termination within two years following a change in control of the Company (other than the merger)), (3) in the case of all executive officers other than Mr. Mauser, continued health and welfare benefits for 12 months (18 months, in the case of a termination within two years following a change in control of the Company (other than the merger)), and (4) reasonable outplacement services for a period of one year following the qualifying termination in an amount not to exceed $50,000. Each of the executive officers has agreed under the severance agreement that the Company s ceasing to be a public company and the reporting structure as set forth in the offer letter will not constitute good reason for

purposes of the severance agreement. In addition, the severance agreements with Ms. Rowland and Mr. Eyler also provide that if any payments or benefits payable or provided to the executive officer in connection with the merger would be

Table of Contents

subject to an excise tax under Section 4999 of the Code, the executive officer will be entitled to an additional payment such that the executive officer would be in the same after-tax position as though the excise tax did not apply.

Payments under the severance agreement are conditioned upon the executive officer executing a general release in favor of the Company. The severance agreement also contains a confidentiality covenant and one-year post-termination of employment non-competition and non-solicitation covenants in favor of the Company.

Samsung Agreements with Sanjay Dhawan

Sanjay Dhawan, the Company s Executive Vice President and President, Connected Services Division, has entered into an offer letter and severance agreement with Merger Sub to be effective as of the effective time.

The offer letter with Mr. Dhawan generally provides for (1) a base salary that may be increased (but not decreased) of $515,000, (2) a target and maximum annual bonus opportunity, expressed as a percentage of base salary, of 80% and 160%, respectively, (3) elimination of the performance-based vesting conditions, and addition of severance protections on his $2,500,000 special retention bonus awarded in connection with the 2015 acquisition of his former employer by Harman, which will be payable 50% on June 30, 2017 and 50% on June 30, 2018, subject to continued employment and to accelerated vesting upon a termination without cause, a resignation with good reason, or a termination due to death or disability, and (4) a long-term unit incentive program award (having a fair market value at target of $3,000,000 and at maximum of $4,800,000), comprised (at target) of 60% performance-based units that vest based on the level of achievement of performance targets during the applicable performance period and 40% time-based units that vest in equal installments on each of the first three anniversaries of the closing, subject, in each case, to continued employment. The long-term unit incentive program award will have the same accelerated vesting provisions as described above under *Samsung Agreements with Certain Other Executive Officers*, except that Mr. Dhawan will not be entitled to any accelerated vesting of such award if, prior to the first anniversary of the closing date, he resigns with good reason pursuant to the special resignation right described below. The Company and Mr. Dhawan have also entered into an amendment to his existing offer letter with the Company that provides that the performance-based vesting conditions with respect to the special retention bonus described in clause (3) above will not apply with respect to the tranche payable in respect of the 2017 fiscal year in the event that the merger is not consummated.

The severance agreement with Mr. Dhawan will have the same terms as that for the other executives described under *Samsung Agreements with Certain Other Executive Officers*, except that the merger will be deemed to constitute a change in control for purposes of the severance agreement and Mr. Dhawan will be permitted to resign at any time during the period commencing on July 1, 2018 and ending on the later of July 30, 2018 and the 13-month anniversary of the closing date and such resignation will be considered a resignation for good reason.

2014 Key Executive Officers Bonus Plan

Each of the Company s executive officers is a participant in the 2014 Key Executive Officers Bonus Plan, which provides for a payment of a prorated target annual bonus upon the occurrence of a change in control of the Company to participants (1) who are employed as of the occurrence of such change in control or (2) who were terminated within 180 days prior to the occurrence of such change in control and following the commencement of discussions that resulted in such change in control. Pursuant to the merger agreement, the Company may elect to pay the prorated bonus based on the greater of target or actual performance (though the Company may adjust any individual performance goals to take into account any performance goals rendered inapplicable by the merger and may measure the level of achievement of applicable performance goals without regard to any costs and expenses associated with the merger). Merger Sub has committed in the offer letters with Messrs. Paliwal, Eyler, Mauser and Slump and with Ms.

Rowland that the bonus will be so calculated in their cases.

For an estimate of the value of the payments described above that would be payable to the Company s named executive officers under the 2014 Key Executive Officers Bonus Plan in connection with the merger, see *Quantification of Payments and Benefits to the Company s Named Executive Officers* below. The estimated

Table of Contents

aggregate amount that would be payable to the Company s seven executive officers who are not named executive officers under the 2014 Key Executive Officers Bonus Plan based on target performance if the merger were to be completed on December 31, 2016 is $1,385,000.

Other Compensation Matters

Pursuant to the merger agreement, in December 2016, the Company (in consultation with Samsung) approved (1) the accelerated vesting of time-based restricted stock unit awards held by Ms. Rowland and Mr. Eyler and, in the case of Ms. Rowland, 60% of the performance-based restricted stock unit awards held by her; and (2) in the case of Ms. Rowland, the accelerated payment of a prorated annual bonus for fiscal year 2017, in each case, subject to the obligations described below.

These actions were intended, by accelerating tax realization events into the 2016 calendar year, to (a) reduce or eliminate excise tax equalization payments that would become payable to Ms. Rowland and Mr. Eyler in connection with the consummation of the merger; and (b) preserve certain tax deductions that would otherwise be lost to the Company. It is expected that all amounts accelerated would have become due and payable upon the expected mid-2017 consummation of the merger. In connection with such actions, the Company and each of Ms. Rowland and Mr. Eyler entered into a letter agreement that provides that, if the merger is not consummated, or if the applicable executive officer is terminated with cause or voluntarily terminates employment prior to consummation of the merger, the executive officer will generally be required to pay to the Company the value of the after-tax proceeds that would not have ultimately been paid absent the accelerations described above.

Indemnification and Insurance

The Company is party to indemnification agreements with each of its directors and executive officers that require the Company, among other things, to indemnify the directors and executive officers against certain liabilities that may arise by reason of their status or service as directors or officers. In addition, pursuant to the terms of the merger agreement, the Company s directors and executive officers will be entitled to certain ongoing indemnification and coverage under directors and officers liability insurance policies from the surviving corporation. This indemnification and insurance coverage is further described in the section entitled *The Merger Agreement Other Covenants and Agreements Indemnification of Directors and Officers; Insurance*.

Quantification of Payments and Benefits to the Company s Named Executive Officers

Except as otherwise noted below, the table below sets forth the amount of payments and benefits that each of the Company s named executive officers would receive in connection with the merger, assuming that the merger were consummated and each such executive officer experienced a qualifying termination on December 31, 2016. The amounts below are determined using a price per share of Company common stock of $112.00 (except as otherwise noted), and are based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including the assumptions described in the footnotes to the table. Consistent with SEC guidance, the amounts below do not take into account the impact of the new agreements between Merger Sub and certain executive officers entered into in connection with entry into the merger agreement. As a result of the foregoing assumptions, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

Golden Parachute Compensation

Name	Cash ($)[1]	Equity ($)[2]	Pension/ NQDC ($)[3]	Perquisites/ Benefits ($)[4]	Tax Reimbursement ($)[5]	Total ($)
Dinesh C. Paliwal	15,911,000	27,643,613	6,749,782	283,000	28,766	50,616,161
Sandra E. Rowland	3,264,041	7,020,272		73,000		10,357,313
Phillip Eyler	2,588,000	4,731,908		73,000		7,392,908
Michael Mauser	2,251,000	6,164,049		50,000		8,465,049
David Slump	2,001,000	3,848,504		73,000		5,922,504

(1) The cash payments payable to each of the named executive officers consist of (1) a severance payment in an amount equal to two times (three times, in the case of Mr. Paliwal) the sum of (a) the executive officer s base salary (in the case of Mr. Paliwal, at the highest rate in effect for any period prior to the qualifying

Table of Contents

termination) and (b) in the case of Mr. Paliwal, his highest incentive pay earned in any of the three fiscal years immediately preceding the year in which the change in control occurs (but in no event less than his target bonus), and in the case of all other named executive officers, their target annual bonus, payable in a lump sum, (2) the amount of the executive officer s prorated annual bonus (determined based on target performance) for the Company s 2017 fiscal year, payable in a lump sum, and (3) in the case of Mr. Paliwal, an amount equal to $30,000 representing the cost of welfare benefits for two years, payable in a lump sum. The severance payment is double-trigger (i.e., payable upon a qualifying termination), as is the $30,000 amount payable to Mr. Paliwal, while the prorated annual bonus is single-trigger (i.e., payable in connection with a change in control). Set forth below are the separate values of each of the severance payment and the prorated annual bonus payment. As noted above in *Other Compensation Matters*, for tax planning purposes, the prorated annual bonus payable to Ms. Rowland was computed assuming a mid-2017 consummation of the merger and accelerated such that it was paid in the 2016 calendar year.

Name	Severance Payment (Double-Trigger) ($)	Prorated Annual Bonus Payment (Single-Trigger) ($)
Dinesh C. Paliwal	14,641,000	1,270,000
Sandra E. Rowland	2,700,000	546,041
Phillip Eyler	2,300,000	288,000
Michael Mauser	2,000,000	251,000
David Slump	1,800,000	201,000

(2) As described above, all unvested equity-based awards held by the named executive officers will become vested (to the extent not vested) and will be settled at the effective time (i.e., single-trigger vesting). Except as described in the next sentence, set forth below are the values of each type of unvested equity-based award that would be payable upon the effective time, based on a price per share of the Company common stock of $112.00 and less the applicable exercise price in the case of unvested stock options and stock appreciation rights. As noted above in *Other Compensation Matters*, for tax planning purposes, the time-based restricted stock unit awards held by Ms. Rowland and Mr. Eyler and 60% of the performance-based restricted stock unit awards held by Ms. Rowland were accelerated such that they were settled on December 19, 2016, subject to certain obligations described above. The price per share of Company common stock used to compute the dollar amount of such accelerated units is $110.66, the closing price per share on December 19, 2016.

Name	Stock Options ($)	Stock Appreciation Rights ($)	Time-Based Restricted Stock Units ($)	Performance-Based Restricted Stock Units ($)
Dinesh C. Paliwal			7,788,032	19,855,582
Sandra E. Rowland	146,544		2,061,264	4,959,008
Phillip Eyler			1,399,074	3,332,834
Michael Mauser			1,780,128	4,383,922
David Slump			1,068,704	2,779,800

(3) For Mr. Paliwal, includes an estimate of the incremental value of the enhanced benefit to which he is entitled under his original 2007 offer letter with the Company and the Supplemental Executive Retirement Plan, as described above in *Existing Severance Agreements with Dinesh C. Paliwal and Herbert K. Parker*. This benefit is double-trigger.

(4) The amount in the table equals the estimated value of welfare benefit continuation for each named executive officer and his or her eligible dependents for 18 months following a qualifying termination and the cost of providing reasonable outplacement services ($253,000, in the case of Mr. Paliwal, and $50,000 in the case of all other named executive officers). All such benefits are double-trigger.

(5) Mr. Paliwal is entitled to a tax gross-up with respect to the $30,000 lump sum amount he receives in respect of welfare benefits (estimated to be approximately $28,766), which amount is double-trigger, and to specified tax gross-up payments for excise taxes incurred under Section 4999 of the Code under his existing

Table of Contents

severance agreement with the Company, which amount would be single-trigger. Mr. Paliwal is not expected to be subject to the excise tax under Section 4999 of the Code, although estimated excise tax reimbursements are subject to change based on the actual effective time, date of termination of employment (if any) of the named executive officer, interest rates then in effect, and certain other assumptions used in the calculations. In addition, as described above in *Samsung Offer Letters and Severance Agreements with Certain Other Executive Officers*, Ms. Rowland and Mr. Eyler would also be eligible for a tax gross-up payment under their new arrangements with Samsung that will become effective as of the closing.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a general discussion of the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of common stock whose shares are exchanged for cash pursuant to the merger. This discussion does not address U.S. federal income tax consequences with respect to holders other than U.S. holders. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable U.S. Treasury regulations promulgated thereunder, judicial opinions, and administrative rulings and published positions of the Internal Revenue Service (IRS), each as in effect as of the date hereof. These authorities are subject to change or differing interpretations, possibly on a retroactive basis, and any such change or interpretation could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion is for general information purposes only and does not purport to be a complete analysis of all potential tax consequences. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax consequences arising under state, local or foreign tax laws or U.S. federal tax laws other than those pertaining to the U.S. federal income tax. This discussion is not binding on the IRS or the courts and, therefore, could be subject to challenge, which could be sustained. No ruling is intended to be sought from the IRS with respect to the merger.

For purposes of this discussion, the term U.S. holder means a beneficial owner of common stock that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States,
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia,
- a trust if (1) a court within the United States is able to exercise primary supervision over the trust s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (2) such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person or
- an estate the income of which is subject to U.S. federal income tax regardless of its source.

This discussion applies only to U.S. holders of shares of common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that may be relevant to a U.S. holder in light of its particular circumstances, or that may apply to U.S. holders subject to special treatment under U.S. federal income tax laws (including, for example, insurance companies, dealers or brokers in securities or foreign currencies, traders in

securities who elect the mark-to-market method of accounting, holders subject to the alternative minimum tax, U.S. holders that have a functional currency other than the U.S. dollar, tax-exempt organizations, governmental agencies or instrumentalities, tax-qualified retirement plans, banks and certain other financial institutions, mutual funds, certain expatriates, partnerships (or other entities or arrangements treated as partnerships for U.S. federal income tax purposes), S corporations, or other pass-through entities or investors in such partnerships, S corporations or other pass-through entities, real estate investment trusts, regulated investment companies, U.S. holders who hold shares of common stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction, U.S. holders who will hold (actually or constructiv